

# Nation's Business

A USEFUL LOOK AHEAD

OCTOBER 1964



## *After election:* President will face these issues

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How a subsidized business thrives PAGE 36

More tariff cuts coming PAGE 110

When and how to quit a job PAGE 96

What to expect from Supreme Court PAGE 31



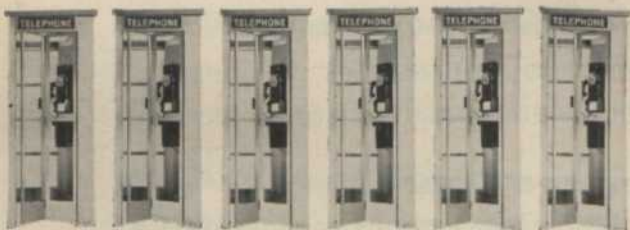
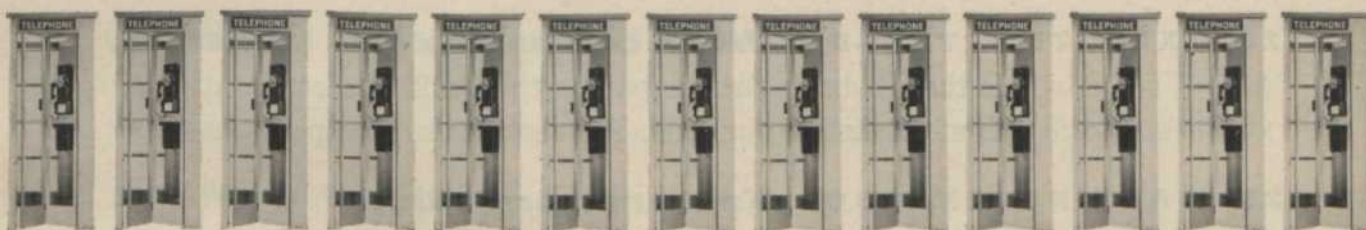
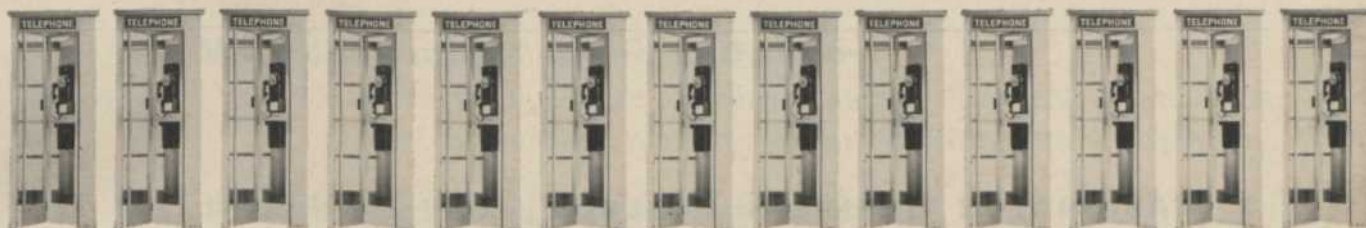
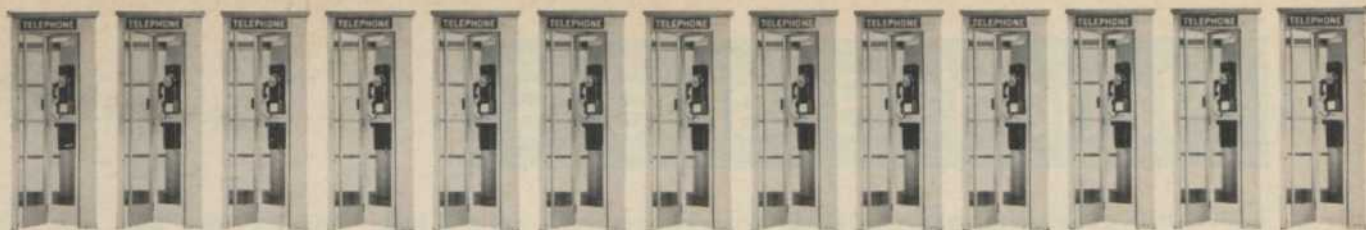


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SYSTEM**

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# Nation's Business

October 1964 Vol. 52 No. 10

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Washington, D.C.

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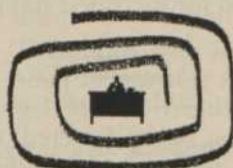
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• 100% new body, far and away the strongest we've ever made • New

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1965 FALCON



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#### 1965 FAIRLANE

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**New power and economy** • New 200-cu. in. Six provides 20% increase in power, has seven main bearings for glass-smooth going, hydraulic

valve lifters for quiet operation • Regular Fairlane V-8 is now the 289-cu. in. V-8—the basic engine design for the Cobra and other great competition cars • Fully synchronized manual shift transmission standard with all V-8's • 3-speed Cruise-O-Matic and fully synchronized 4-speed manual are optional

**Time-savers, money-savers** • Battery-saving alternator • Routine service needed only twice a year (or every 6,000 miles) • Self-adjusting brakes and valves

#### 1965 FALCON

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is right where you want it—on economy. Look! • New 170-cu. in. Six supplies 20 extra horsepower, better fuel economy • Optional 3-speed Cruise-O-Matic transmission teamed with 170-cu. in. Six gives up to 15% greater fuel economy • Low-profile tires reduce rolling friction, increase tire life • Battery-saving alternator • Automatic choke on all engines

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# WASHINGTON BUSINESS OUTLOOK

## **Light bulbs burn** at U. S. Budget Bureau.

Staffers sit up late trying to evaluate impact of last-minute congressional actions on Administration's '65 spending programs.

It'll take weeks more figuring to find the answers.

Final totting up may be announced few days before elections next month.

## **Early indications suggest** Congress can lay no claim to penny-pinching title.

Administrative budget spending—so far—is projected fractionally lower than for year past.

But much spending isn't booked on administrative budget ledger.

Uncle Sam writes average \$10 billion checks a month. And that's a hefty \$500 million plus above past year's rate.

Fiscal frugality, insiders believe, probably will show up as year-ahead increase not quite as large as last year's.

## **Next tax cut?**

Plug your ears to political thunder.

Reduction's coming.

But not right away.

Specialists on Capitol Hill—where tax laws are made—say behind closed doors it's reasonable to anticipate new legislation no sooner than '66.

It's reasonable also—

To expect next reduction to include excise taxes (on musical instruments, for example).

But not altogether.

There'll be strong pressure as well for more cuts in personal tax rate and corporation taxes.

So new legislation—when it comes—may split reduction three ways.

Informed guess:

Continuing pressure for tax reform will lead to enactment just ahead of off-year election two years from now.

New law to go into force in '67 and '68.

## **Pre-election sag in stock prices**—usual pattern.

Happened that way during each of past eight election years.

Worst drop: '32, when price average fell some 30 per cent (during recession period).

Next worst: '60, when prices declined 10 per cent.

Average in '56 went down approximately eight per cent.

What's ahead:

Analysts look for price decline to average not more than five per cent, probably less.

Then—

Back up for Christmas.

In six of past eight election years prices did go up soon after autumn decline.

Next rise for other two came just after New Year.

## **Businessmen spend \$3.7 billion** a month to grow.

That's current rate of investment for new plants and equipment.

Next year—

It's expected to average nearly \$4 billion a month.

Implication for all businessmen, regardless of kind or size of company:

This figure is larger for period ahead.

That spells wide-based optimism among men who make daily business decisions.

## **Savings rate will decline.**

That's prospect for months ahead as many consumers step up purchases.

Current situation is this:

Personal savings rate has been running well above eight per cent.

Seldom that high.

What's ahead:

There's good reason to expect savings will fall back to more normal seven per cent range



in months ahead. (Rate was 6.8 per cent last year.)

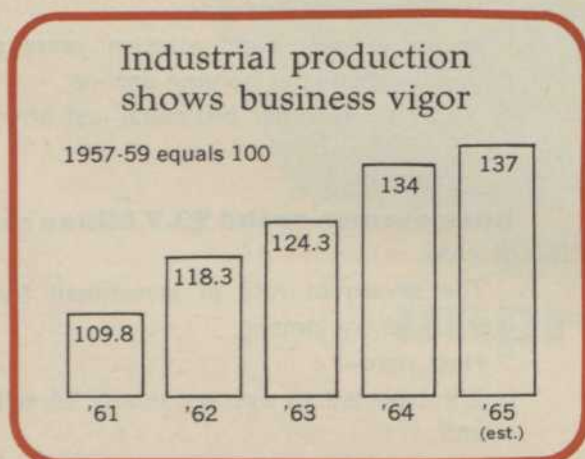
Implication of this is that it pumps some \$4.5 billion additional funds into business stream per year.

That's roughly half as much stimulation as economy got this year from federal tax cut.

Savings still would be high—an estimated \$33 billion for year ahead.

Compares with \$27.5 billion last year.

So economists foresee no shortage of funds for mortgages, installment debt, other kinds of investments.



**Europe's inflation** has two-way pull on U. S. business.

First, it aids our export expansion drive.

As Europe's prices rise, American goods become more competitive.

This is happening:

Europe sells \$450 million of goods to U. S. in typical month.

That's increase of some \$50 million per month over year ago, though part of rise is due to higher prices.

Meanwhile, we boost sales to Europe by some \$100 million—higher volume running in neighborhood of \$700 million per month.

Increase stems partly from relative stability of our prices as they become more competitive.

But trade coin has other side.

Sale of European goods in U. S. markets at prices reflecting Europe's inflation tends to boost our consumer price level.

Where this economic round robin ends up hinges on how well American businessmen hold cost line.

With promise of continuing cost stability, there's good chance U. S. will see further rise in ability to compete.

**New highways cost taxpayers** nearly \$13 billion this year.

Of that, just short of \$4 billion comes from federal tax bins.

At halfway point some states run ahead of schedule in completion of 41,000 mile interstate system.

Others fall behind. Many blame difficulty in matching federal funds.

But planning for long-range future is getting under way, building needs to be plotted all the way to '93.

What's to happen is this:

Interstate system will be completed in '72.

Starting in '73, program calls for planning 20 years ahead.

Spending is to be programed 10 years in advance.

Guess now—though details are to be worked out during next couple of years—is that federal roads program will cost as much in 10 years starting in '73 as current program will cost in 16.

That means there's no chance federal program will grind to '72 halt—and taxes will continue at or above current level.

Meanwhile, problems threaten to overtake highway programs in many states and regions. See page 34.



# WASHINGTON BUSINESS OUTLOOK

## Auto buying booms credit.

Americans borrow up to \$5.5 billion a month to buy cars.

Too much credit buying? Reason to worry? No, most economists declare.

Consumers also pay off more than \$5 billion each month.

Rate of increase for installment buying is actually slowing up. There's less rise this year than last.

But remember: History's largest rise in consumer credit came last year. So slow-up from that fast pace was anticipated although more autos are being sold.

Larger down payments reduce need for borrowing. And more customers pay cash.

Beyond record sales this year, manufacturers expect fourth bumper-to-bumper good year.

Total sales for four-year period will be a whopping 30 million new cars.

There is a possibility, though slim, for auto strike next year. Could come about mid-season if unions reopen negotiations for more pay, more nonwork benefits.

**Use of credit will become** more important to economic growth in years ahead.

That's view of Dr. George Katona, director

of Economic Behavior Program at University of Michigan's Survey Research Center.

"Installment credit makes it possible for millions of American families to acquire what they consider necessities at a fast rate, in anticipation of future earnings," he comments.

"Today Americans marry young, have children shortly after marriage. They believe that children should be brought up in a home they own, located in a nice neighborhood and equipped with many appliances.

"Question is no longer whether young couples should have children or durable goods; thanks to installment credit, they have both."

Views are based on many years of surveys and study of consumer attitudes, ambitions.

As to the future, Dr. Katona says:

"During the second half of the 1960's the growth of the economy will be retarded unless the amount of installment credit increases.

"In those years the war-baby generation will reach the stage of marriage and household formation. Desires to buy homes on mortgage credit and durable goods on installment credit will then become more widespread.

"Both ability to buy and willingness to buy will depend primarily on employment situation and employment prospects.

"But the availability of consumer credit and the use made of credit opportunities will represent important factors influencing the rate of economic growth."

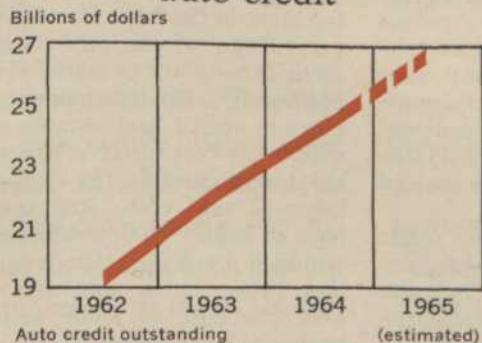
Turn to page 60 for other excerpts from Dr. Katona's forthcoming book, "The Mass Consumption Society."

## Where your tax dollars go:

If you're a taxpayer earning \$8,000, have a wife and three children, you'll pay roughly \$600 federal tax.

That's equal to sum appropriated "for hire of automobile for the Sergeant at Arms" in House of Representatives.

High sales boost  
auto credit





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# Executone

## Business opinion:

### Government job figures distorted

THERE ARE A NUMBER of people in the country who think the United States government is overstating the problem of unemployment. I am one of them.

I am writing to you since, as a regular reader of NATION'S BUSINESS, I know that your publication has consistently shown a high degree of responsibility in bringing the facts to its readers.

In August, newspapers and magazines carried stories stating exuberantly that in July, for the first time in 53 months, the jobless rate had fallen below five per cent, or to 4.9 per cent, to be precise. This is certainly heartening news. But I have a strong feeling that these figures are grossly exaggerated for the following simple but overlooked reason:

The U. S. Labor Department figures erroneously include a multitude of people who say they would like to work but do not urgently need work and are not really looking for employment.

For example, high school and college students who are between semesters and who will be going back to school are included in these government figures.

Others are production workers on temporary layoff because of production changeovers; housewives who say they would like to work to earn extra money, but who are by no means unemployed since their husbands have jobs and are acting as heads of their households; people who have voluntarily left their jobs to strike against the company; seasonal workers who regularly work only part of each year; retired people on social security who would like to work to get additional income and others.

There are doubtless many other categories of people who are not really and truly unemployed but who are counted in the government's monthly tally.

As head of a nationwide organization that finds jobs for people, I would estimate that actual real unemployment in the U. S.—those really needing and actively looking

for work—is no more than 2.2 per cent.

This deliberate inflation of unemployment figures by the U. S. Labor Department should make every patriotic, taxpaying citizen's blood boil. It's just another insidious device this government agency uses to keep the nation in a constant state of alarm—a situation designed to insure additional millions of our money for next year's budget.

ROBERT O. SNELLING, SR.  
President  
Snelling and Snelling, Inc.  
Personnel consultants  
Philadelphia, Pa.

### Salt of the land

"Loss of Spiritual Values Weakens U. S. Politically" [August] impressed me as being most timely.

I suspect you are quite close to the root cause of most difficulties today confronting American government. Probably the same could be said for American business. The good part of it all is, as you indicated, these forces do not necessarily have to affect the individual. And today there are doubtless millions of Americans who have not been so affected and have not lost their Judeo-Christian heritage. They truly are the salt of the land.

CHARLES R. FORD  
Winston-Salem, N. C.

### What creates jobs

The political solution of increasing employment overtime costs to business in the hope of reducing the percentage of national unemployment is contrary to sound economic philosophy. The true unemployment issue is one of basic supply and demand—the cost of labor per individual today exceeds the demand for labor at that cost. And the problems of supply and demand are compounded by legislation, regulation and those union contracts which hold the cost of labor artificially higher than the over-all demand.

The market place will not permit companies to become uncompetitive. New and established industries alike have automated to reduce rising costs and to remain competitive. In-





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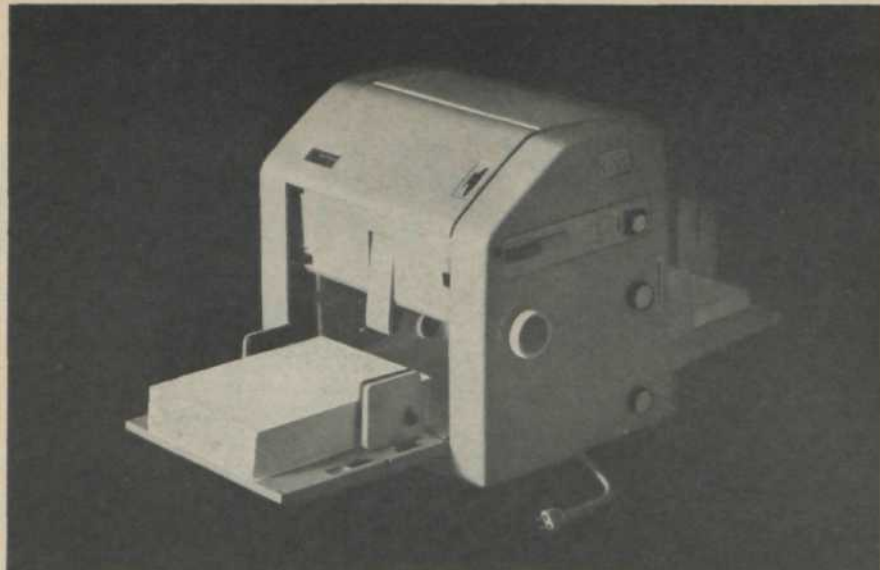
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## Business opinion:

flation prices U. S. products and services out of many international and even domestic markets. Higher costs can either be absorbed or passed on to the purchaser. But higher costs reduce demand. And with higher costs, reduced profits result which slacken the growth rate of developing industries. Companies and industries need profits to reinvest in expansion. It is this expansion which creates more new jobs. Therefore, if industries are to keep their products and services competitive, labor costs rising faster than productivity gains will continue the necessity to automate more—and faster. Higher labor costs historically have not in the past and will not now reduce our national percentage of unemployment—they may possibly increase it.

The double overtime proposal as outlined would exempt some industries. But with all good reason and logic, if one industry has it, employees in the other industries will demand it. It will not be possible to put on an extra shift to handle a ten-hour truck drayage run. There are many similar problems to this unsound proposal. The extra cost of labor will be passed by necessity to the customer—and because higher prices result in less demand, industry rate of growth will suffer. In the same given period fewer new jobs will be created because of the proposed additional labor costs, and some positions will be eliminated.

It is time all employees, public servants and leaders of industry recognize the real issues and handle them properly for what they are. Here is an issue we as employees, businessmen and individual citizens are best oriented and prepared to work with and solve.

To entertain or support strictly political solutions for what is basically an economic issue would be folly. Political resolutions will not solve this issue—but sound economic forces and policies can. The proposal for double overtime legislation is not sound economically. It should be given a quick political death in congressional committee without further unnecessary costs to the taxpayers.

ALLEN L. MCNITT, JR.  
San Mateo, Calif.

## Political principles

The impulse to pick and choose among the candidates on the ballot, (continued on page 120)



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COPY	<input type="checkbox"/> PERFORATING <input type="checkbox"/> SCORING	TOTAL \$
PHOTO	<input type="checkbox"/> SEALING <input type="checkbox"/> IMPRINTING	LESS DEPOSIT
OTHER	<input type="checkbox"/> BINDING <input type="checkbox"/> RULING	BALANCE \$

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## Executive Trends

- When companies choose presidents
- Why 48 is a critical age
- Coming: promotion by computer

Next month millions of voters will affirm their confidence in one man's ability to carry out the duties of the world's most powerful office—that of the President of the United States.

That's politics.

Business elects presidents, too—thousands each year to run companies varying in size from the smallest short-lived venture to sprawling industrial complexes employing thousands of people.

What qualities and skills does a man need to fill the post of company president? Are his skills in any way comparable to those needed by the top administrator of a government?

NATION'S BUSINESS asked these questions of J. Keith Loudon, president of the Presidents' Professional Association, an affiliate of the American Management Association, Inc. A former company head himself, Mr. Loudon directs the activities of an association whose membership consists entirely of business presidents.

He comments:

"Just as the president of a company has his vice president, so does the President of the United States have his vice president and Cabinet. Just as the president of a company has his board of directors, the President of the United States has Congress; both bodies determine policy, approve appropriations and mold the nature and character of the enterprise. Just as the company president has his shareholders, the President of the United States has the citizens of the country to report his stewardship to. Just as the president of a company must get things done through people, so must

the President of the United States. Both must have the full support of their people or they will fail."

• • •

Do you have the know-how to run a business from the president's office?

Consultant Robert E. Sibson of New York gave some intensive thought recently to the qualities an effective president should have. To a considerable extent, he argues, the make-up of a chief executive is determined by the top-agenda needs of a specific firm. But—in broad terms—a president should be bright, perceptive, able to differentiate between the important and the unimportant and be a sure-handed delegator. "The president must truly know his business and its special problems," Mr. Sibson declares. "If he doesn't he will limit the company's success or abdicate his role of leadership."

Item: Mr. Sibson, a student of history, believes most U. S. Presidents have been elected not on the basis of their qualifications to do the job, but because they possessed the ability to get elected.

• • •

Then there's the case of the speech-making president.

Elevated to that position in a large Eastern insurance company, this man's promotion was opposed by most board members except the chairman. Once in office, he spent most of his time on community affairs, travel and speech-making. His expenses ran as high as \$75,000 a year.

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## EXECUTIVE TRENDS

*continued*

ident's activities. The consultants concluded that he wasn't giving the firm its money's worth. When the president saw the consultants' critical report, he offered to stop making speeches. The board went even further.

They decided they didn't need him at all. The president was gracefully eased out.

• • •

**What's the most critical age for a businessman?**

One of the nation's leading consultants believes it is 48—at least for salesmen.

His analysis suggests that at 48 a high-performing salesman begins to lose some of his momentum. For the lower producers, whose decline actually may have begun much earlier, 48 is the point at which losses in efficiency begin to snowball.

Item: Highest-yield years for good salesmen come between ages 36 and 48.

• • •

**The time is coming** when computers may pick managers for promotion.

Well—almost.

John E. Greene, manager of the General Electric Co.'s Information Processing Center in Cleveland, says some companies even now are putting pertinent facts about their employees into computer memory systems. Once deposited there, these facts can be quickly retrieved and matched against job openings which occur. [See article on page 38.]

Mr. Greene doesn't believe machines will ever eliminate the need for human screening of people through interviews. But he expects computers to make it possible for larger firms to find promotables with greater speed than is feasible today.

GE itself maintains a computerized inventory of its engineering and finance personnel. Mr. Greene expects this to be expanded and refined. "As more characteristics of an individual are put on tape, we'll be able significantly to narrow the field of candidates for a particular job," he adds.

Among the facts that already can be filed by machine are such things as age, experience, education, present location and job responsibility.

Note: Recruiting firms are showing special interest in computerized résumés as a way of saving on paper storage and expediting search procedures. One recruiting organiza-



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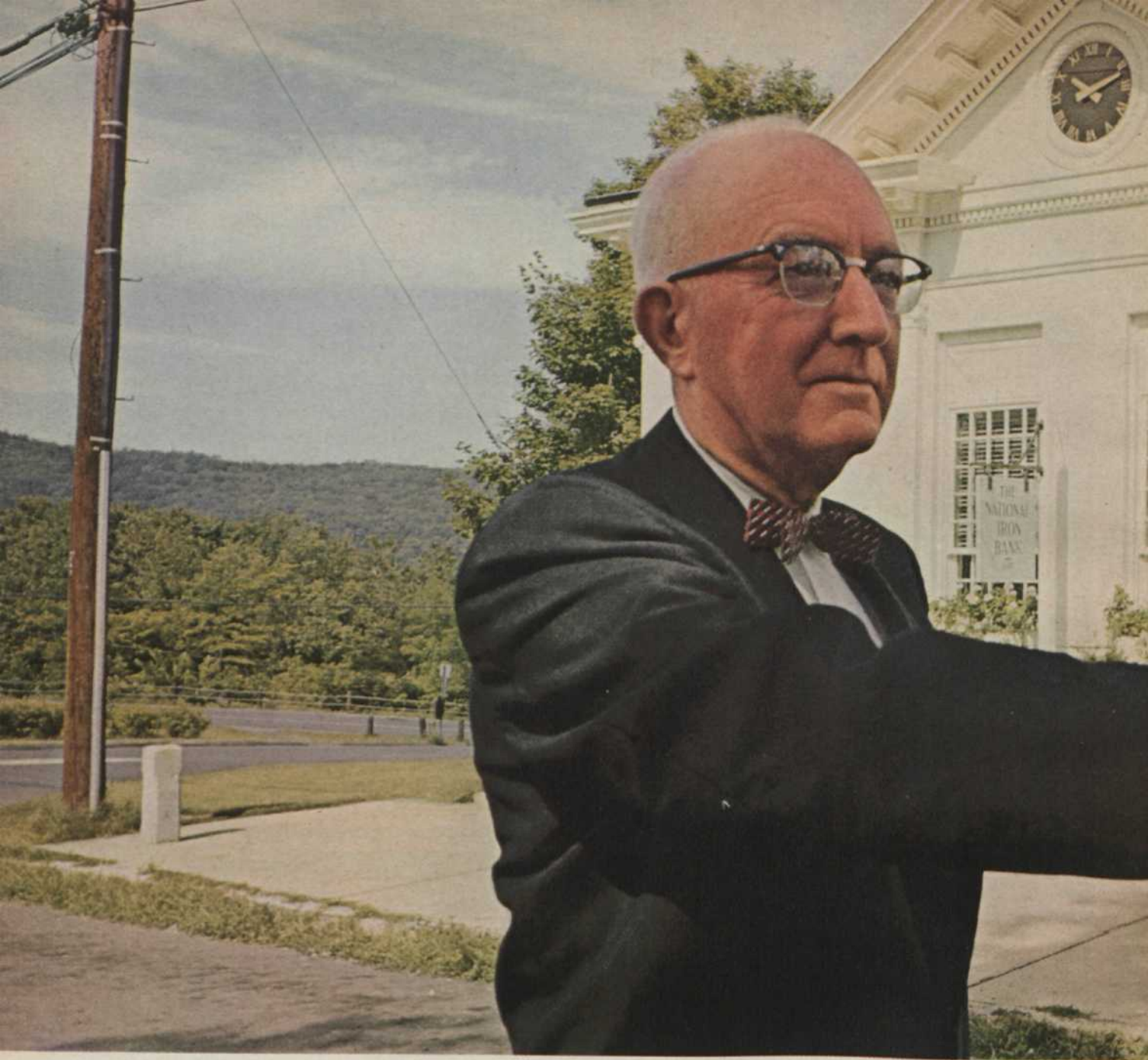
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*Greeting by a country bank president—Photo by Charles Van Maanen*

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## EXECUTIVE TRENDS

continued

tion has 100,000 résumés currently on EDP file.

Company policies on promotion appear to be shifting.

That's what Dr. Donald F. Blankertz, vice dean and director of the Graduate Division of Wharton School, University of Pennsylvania, told an editor of *NATION'S BUSINESS*.

Dean Blankertz says an increasing number of firms seem to be promoting their promising men via one route or branch of business instead of spiralling them through several branches.

This trend could have important long-range impact on schools of business, according to Dean Blankertz. For one thing, it could result in students spending more time building up a fund of knowledge in one area of business than heretofore has been the case.

Here's more on the wife's-eye view of the executive's job:

At a management conference, executive wives were asked to answer a variety of questions concerning their role in relation to their husbands' success.

When asked, "Do you resent your husband's job because of its demands on his time and interest?" only seven replied "Yes" and 56 answered "No."

Forty-seven said they encourage their spouses to talk shop at home. Seventeen said they do not.

Only three said they had ever influenced their husbands in hiring or firing anyone.

Twenty-seven said they have felt the need for additional schooling or training in order to keep pace with their husbands as they have moved ahead in business; 36 have not felt this need.

One question asked: "Are you happier now than when your husband earned less and had less responsibility?" Answers: Yes—44, No—16.

If you completed your formal education before 1950 you may need some serious refresher courses to avoid the managerial obsolescence you've been hearing so much about.

At least that's the opinion of consultant H. B. Maynard, president of the Maynard Research  
(continued on page 95)



Richard C. Apgar,  
The Lafkins Golf & Lawn Supply Corporation  
(address on request)

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In this dynamic area, the range of research is wide. In one institution alone, cancer receives the full time and attention of more than 200 people. Other research has helped point the way for the surgeon to clear blocked arteries and veins, and to repair the heart.

Communicable disease control for the entire nation now centers in this area. Still other research includes the fields of mental health and the transplanting of organs from animals to human beings; studies range from nutrition to a new severe-burn treatment which already is dramatically reducing fatalities.

A survey of leading medical centers reveals that more than 3300 persons are employed in medical research in this region.

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# One man's facts are another man's prejudices

BY PETER LISAGOR

ALMOST BEFORE the 1964 presidential campaign began, the press found itself under attack for allegedly distorting the views of Sen. Barry M. Goldwater, the Republican candidate. To a lesser degree, there was criticism of many newspapers and magazines for a suspected anti-Democratic bias. Many editorialists were being accused of betraying a congenital dislike for the life and works of President Lyndon B. Johnson, the Democratic nominee.

In the words of one irreverent old editor with a taste for frontier analogies, the press should have stood erect under the circumstances, proud of being charged, or credited, with shooting out windows on both sides of the political street. Instead, though, all too many reporters—and the term press includes radio and television journalists as well as those who still deal in the written word—have developed an uneasy defensiveness as though they had to prove their virtue every time a new charge is leveled at them.

A few cranky critics might attribute this attitude to a bad conscience. The fact is that many newsmen were hardly aware of the intensity of feeling about their work. At the Republican National Convention in San Francisco, the hostility toward the press among Goldwater supporters was thick enough to cut. Oddly enough, it was Former President Dwight D. Eisenhower who first tapped this vein of venom. With what later turned out to be a certain measure of innocence, Mr. Eisenhower spoke of "sensation-seeking columnists and commentators," and the Cow Palace erupted with fist-shaking cries directed against the press in general and the television commentators in particular.

That such luminaries as Huntley-Brinkley were zeroed in came as a surprise, for TV newscasters and commentators have become the folk heroes of our times, or so it was thought. They are more quickly identified nowadays than a great many movie actors and most high-ranking politicians. That General

Eisenhower should have prompted the initial outburst was equally surprising. For among those Americans who have been treated with sympathy and solicitude by the press during his career, in war and in peace, Ike certainly rates at or near the top. The general later admitted that he was startled by the audience's reaction to his remark. He also related how his trust and faith in newsmen during World War II were never violated, although he had let them in on some of the most delicate plans of the war.

In any case, the press was revealed to be fair game for the aggrieved and the fearful. Its credentials were under challenge. The Republican vice presidential candidate, Rep. William E. Miller of New York, publicly conceded that Senator Goldwater hoped,

GEORGE TAMES



*Correspondents who analyze as well as report national events become the targets of politicians of both parties*

through his repeated criticisms of the press, to compel newsmen in all media to bend over backwards to be fair. When newsmen accompanying the senator back to Arizona after the convention reached the Phoenix airport, they were greeted with cries of, "Be fair! Be fair!"

To the average Washington reporter whose experience takes him back a few campaigns, this is pain compounded. For it wasn't but a few years ago that most Democratic candidates for any office, especially

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*Peter Lisagor is White House correspondent for the Chicago Daily News.*



the presidency, complained that the "Republican press" was a monolith of all the agencies of information in the country and that it was arrayed like a phalanx of evil against Democrats. Franklin D. Roosevelt made an art form of this criticism. Harry S. Truman blasted and berated the owners of the major newspapers as G.O.P. protectors of the interests. President Truman made an exception of the reporters, whom he found by his lights to be fair and friendly. Adlai E. Stevenson urbanely accepted as inescapable fact that the overwhelming majority of editorial opinion was opposed to his election.

This reporter was privy to an exchange with John F. Kennedy that illuminates the late President's outlook on the press. On the eve of the 1960 election Mr. Kennedy appeared on a television panel program, and one reporter on the panel squirmed with anxiety to ask him whether, if elected, he would debate his Republican opponent in 1964. But time ran out and the question was never asked on the air. As soon as the participants in the inquisition were relaxed after the show, the anxious reporter said, "Senator, there's one question I wanted to ask you on the program if we hadn't run out of time. And that is, would you debate your opponent in 1964 if you're elected? Would you answer the question for us now?"

Mr. Kennedy didn't hesitate. "Yes, I'll debate my opponent. I think I would have to debate to get my message across to the public. The reason is that any Democratic President, if he's any good at all, is almost sure to have most of the newspapers against him. And he will need all the exposure he can get."

It was the old Republican press charge all over again. Mr. Kennedy knew, as did Messrs. Roosevelt, Truman and Stevenson, that Washington reporters who traveled on the campaign trail tried within the limits of human fallibility to render an objective account. The Massachusetts senator knew most of the reporters covering him by their first names, and he had good reason to believe they were sympathetic to him. Yet it was convenient to confuse the news accounts on the news pages with editorial opinion, because it helped to stir up the Democratic flock, to stimulate their interest in working against the odds, so to speak.

Not every reporter in the land can be portrayed as a pillar of detachment. The objective truth is an elusive quarry and one man's set of facts is another man's list of prejudices. Still, it can be maintained with assurance that the standards of integrity among men who communicate the news are as high as they are in more exalted professions. No reporter with pride in his work wants to be caught deliberately slanting the news to suit his bias, and by far the majority of them would quit their jobs rather than display the courage of their publishers' convictions.

One of the most perceptive glimpses into the nature of the Washington press corps today comes from a creditable witness, Douglass Cater, a former reporter

himself who now works as a special assistant to the President. In his book, "Power in Washington," Mr. Cater describes the press and its various roles in this informed passage:

"The old stereotype of the reporter as a seedy character operating with a hunch and a hangover no longer fits the corps of craftsmen, now estimated at more than twelve hundred, who serve the high consumption needs of a highly specialized business. News is sought out, transmitted, packaged and delivered in many different ways. Reporters vary widely in their assignments, from the leg man for the wire service covering a departmental beat to the columnist or commentator who encompasses the world's affairs in his daily perspective. Government bureaucracy is cross-hatched by the press bureaucracy. Separate corps concentrate on the political, the economic, the military, and, with increasing zest, the scientific communities in Washington. There are reporters who communicate by the printed word and others who use audio and video apparatus. Together they constitute, in effect, a separate and quasi-official branch of government in Washington holding substantial veto power over the process of ratification and veto."

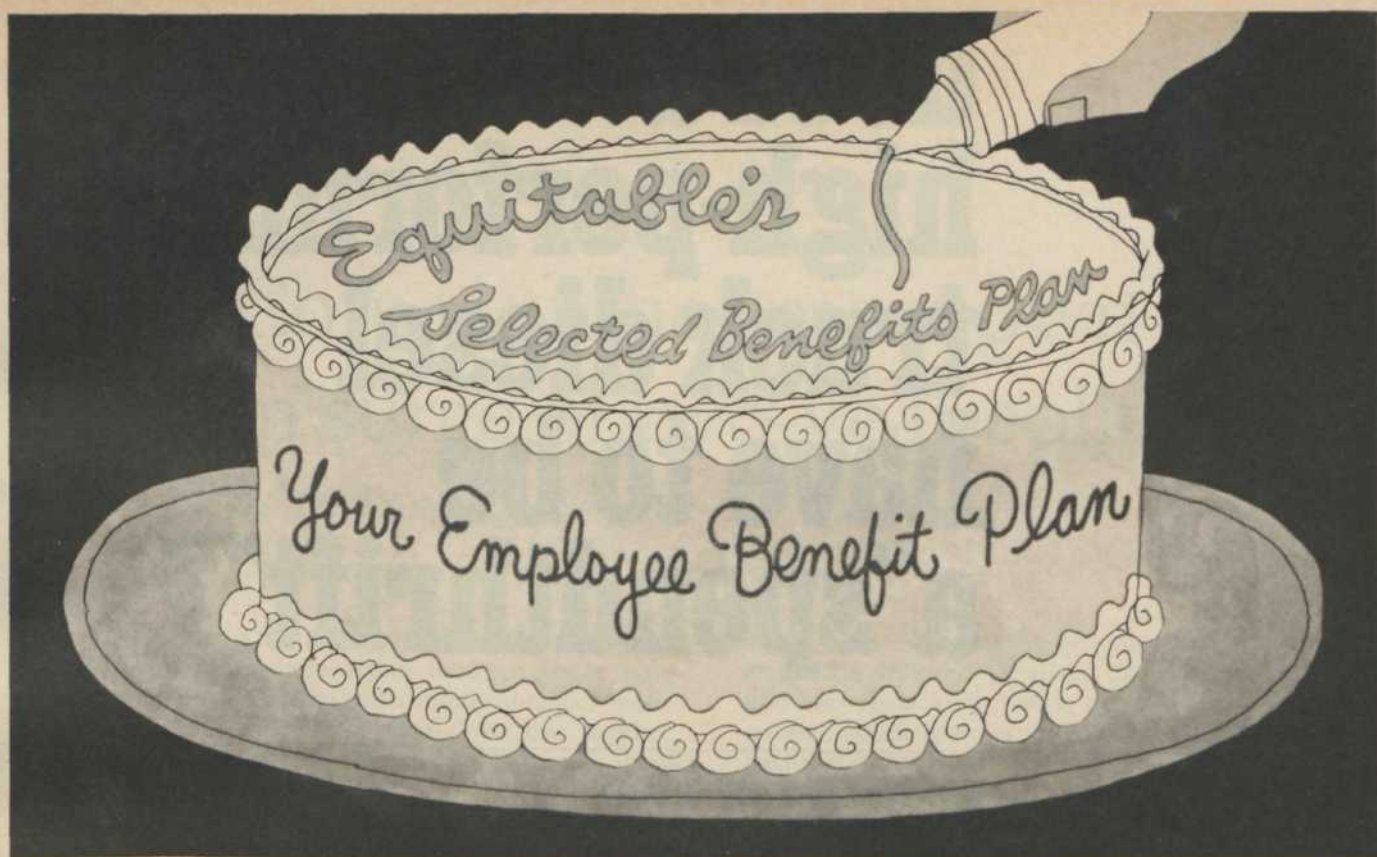
Mr. Cater only hints at the complexity of news which has led to the development of the interpretive report. Here, a correspondent skirts the edges of opinion as he attempts to analyze the significance of certain events and attitudes as expressed by public figures. He tries to assess what a given event means, to give coherence to a number of unrelated facts, to place in a fair and understandable context what a politician or official says about the public's business. These efforts are what have been described as think pieces, and they are heir to charges of unfairness, bias, favoritism. If the Goldwater spokesmen were pinned down to reciting evidence of their charges, chances are that they would point to the interpretive reports, more often than not, as the chief source of their grievances. And the same is undoubtedly true of the Johnson camp.

The self-respecting reporter who engages in this sort of interpretation is much more anxious to transmit light than heat. He knows that the latitude granted him by his editors to interpret somewhat freely depends greatly upon how fairly and even accurately he interprets the flow of news. He also knows that when he calls a spade a spade or exposes some blatant pretension or spotlights a corner deliberately kept dark he is going to be condemned by one side or the other.

He can take some comfort from the fact that he was in business before his contemporary critics discovered that the press cuts both ways, and he will be in business long after they have reconciled themselves to this fact. One thing he cannot countenance is indifference. John Galsworthy summed it up when he noted:

"It has often been remarked that the breakfast tables of people who avow themselves indifferent to what the Press may say of them are garnished by all the newspapers on the morning when there is anything to say."





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(In Canada: General Motors Diesel Limited, London, Ont.)





## Communities meet own needs in surge of two-year colleges

BY FELIX MORLEY

DURING the past few weeks close to five million ambitious Americans have either returned to, or have for the first time entered, institutions of higher learning throughout the United States. Of this number, greater than the entire population of Denmark, about 15 per cent are enrolled in two-year community colleges.

This proportion is increasing rapidly. Half of all the new colleges established in this country last year were of the two-year type. Enrollment at four-year institutions has nearly doubled during the past decade. That of the junior colleges, with evening classes because most of the students are employed by day, has quadrupled.

In the field of higher education the interest of the Carnegie Corporation is expert, objective and cautious. Its current conclusion is that: "The emergence of the junior college is possibly the most important development in American higher education in the past quarter-century." There is reason to think that the accolade should be given without qualification.



For all its rapid growth, the two-year college is no mushroom. Substantial roots trace back at least to the early years of this century. Then, however, this short-term training was private and had no uniformity.

At one extreme were a few exclusive finishing schools, where young ladies with more wealth than intellectual interest were polished to take a place in high society. These were wholly dissimilar from the numerous business and vocational schools, designed to give immediately useful training to lads and lassies under pressure to get work quickly.

These privately run prototypes, of course, continue. But their opposite objectives are modified and harmonized by the public community college. It has no place for social butterflies. Nevertheless it does seek, on the whole successfully, to impart intangible educational values.

The customary organization, first established in California, makes the junior college an integral part

of the State educational system. With some differences the training parallels that given during the first two years at the State universities. This makes an easy transition for those who want to attain a bachelor's degree, which is the ambition of about half of those attending the two-year colleges. On the other hand, the training of the latter may properly be considered as terminal. And certification to this effect has already come to mean far more, to prospective employers and to the graduates themselves, than any high school diploma.

There is nothing unnatural in the displacement of

PURCELL-PIX



*Experts consider emergence of junior colleges possibly the most important educational development in 25 years*

"junior college" by "community college" as descriptive title of these rapidly developing institutions. Since they offer the equivalent of the freshman and sophomore years at any four-year college, the strictly accurate term would be "half college." But this would ignore the grass-roots flavor which is a vital factor in the undertaking. The community college draws its students from the immediate locality, has no dormitory facilities and is under the supervision of the local school board. It is generally named



for the town or county or its location and the technical courses tend to be geared to the economy of the neighborhood.

Thus Tyler Community College, in a Texas oil-producing area, emphasizes petroleum technology. Anne Arundel Community College, in the Maryland industrial complex, offers special training for laboratory technicians. Those in strictly rural areas will usually teach agricultural chemistry. Thus, in a rootless era, the community college justifies its name by contributing a sense of focus, stability and continuity to its locality.

This is apparent in the unanticipated popularity of the community colleges as adult education centers. One must be a high school graduate to secure admission, but not necessarily one of recent vintage. At some of these colleges nearly half the student body has counted at least 30 birthdays, with a sprinkling of weighty scholars who will never see 50 again.

In not a few cases couples with grown children enroll together. The aim may be literature or language study which was missed at school. It may be to brush up for part-time employment in teaching or secretarial work. Older students generally do not take the full curriculum, which leads to the degree of "Associate" in arts, science, business administration, education or engineering.

As in any other educational institution, quality in the community colleges depends largely on the character of the faculty and varies considerably.

In many instances the teachers are well seasoned holders of advanced degrees in the various fields of specialized post-graduate study. They are ranked, as in four-year colleges, as full, associate and assistant professors, with a smattering of young instructors at the bottom of the academic ladder. The scale of remuneration is somewhat lower than at the State universities, but sometimes exceeds that paid at small private colleges in the same area.

A distinctive feature of the two-year college is the large proportion of part-time teachers. With evening classes there is a good deal of faculty moonlighting from nearby universities. Local businessmen not infrequently teach the commercial courses and nearby industrial laboratories often furnish science teachers. A part-time teacher may conduct only one course, three nights a week, which tends to attract retired college professors living in the neighborhood.

The executive oversight of the community colleges gets a good deal of criticism. In most instances the local school board has been drafted to assume the trustee function. But its worthies are seldom expert in the problems and administrative complexities of higher education. So the illogical arrangement is said to have been more injurious to the public schools than beneficial to the community colleges.

Uninformed trusteeship and a flexible faculty set-up have combined to give the president of a community college unusual latitude. Neither the teach-

ers whom he appoints nor the board to which he reports have the group power of their counterparts at a four-year college. In consequence, some community colleges have acquired educational administrators of outstanding capacity, including not a few former presidents of four-year colleges who have become weary of the chore of fund-raising.

But if these expected a bed of roses, they have discovered thorns. Tuition charges at the community colleges are nominal, generally \$200 a year for full-time students. This income seldom achieves budgetary balance. Deficits must be made up either by the county authorities or the State legislature.

Furthermore, the community college head is actually under the thumb of the president of his State university. To this the community college is currently a feeder. Its curriculum is geared to that of the university. If instruction at the latter, in economics or American government for instance, is inadequate, then the same defect will appear in the subordinate offerings of the community college. Those who would secure improvement here will soon find that deficiencies cannot be easily eliminated at the local level.

The current popularity of the community colleges encourages optimism for their future. The problem of integration, as an illustration, is greatly lessened by the absence of dormitory life. In many ways these institutions are serving to quicken the intellectual and improve the social life of their neighborhoods. They are making bona fide college training possible for a large section of the population which otherwise would not obtain it. The initially low cost of this training at first served to blunt the drive for ever more federal aid to education.

These low costs, however, are moving rapidly up. Frequently a community college has been launched on the premises of a new high school, with its classes starting as the school day closes. This has meant tremendous savings in overhead, with the educational plant in operation from 8 a.m. to midnight. While this doubling up causes difficulties, the effort involved has been stimulating. And many a community college has been launched on the assumption that its effect on the local tax rate would be negligible.

In a few States funds for its own buildings must now be made available before a community college is approved. But the shoestring procedure of launching the project in the neighborhood high school has been widespread. Now, partly because the community colleges have proved so popular, each wants a campus, a football team and full academic regalia.

Undoubtedly this expansion means improvement in many ways. It will probably lead to elimination of the local school board as the governing body and appointment of trustees with more experience in the problems of higher education. On the other hand it also means soaring costs and startlingly higher local taxes.

Thus is produced an ironic situation. The community college, established locally by local enterprise for local needs, is already extending an itching palm for aid from Washington.



[illegible]

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# *What to expect from the Supreme Court*

Today's justices will broaden rulings into more issues affecting you, say constitutional experts

THEIR NAMES won't be on any ballot next month.

But the nine justices of the Supreme Court of the United States, which opens its 1964 term this month, will affect your business, your daily living and your government more than many candidates who will be up for election.

Reason: They are handing down decisions which often upset many seemingly settled practices and basic institutions.

"In the last decade the Supreme Court has become an active agency for political and social change in the nation," says W. Ray Forrester, dean of the Cornell University Law School.

Dean Erwin N. Griswold of Harvard Law School says the Court's job is to judge the most difficult cases that come to it and the cases reflect the problems of the nation.

For a look at what the country can expect from the justices, the editors of NATION'S BUSINESS talked with deans of law schools and authorities on the Supreme Court from some of the nation's leading universities. In politics, these authorities range from self-proclaimed conservative Republicans to Southern Democrats to former New Deal office holders. Geographically, their bases stretch from the Pacific to the Atlantic, and from New England to Dixie.

With this diverse background, their outlooks differ as you'd expect. But they do present a largely unified picture of the Supreme Court in many of its aspects. The Court is considered on balance as an activist one, willing to re-examine established practices and to overturn legal principles based on previous court rulings. It is interested almost to the point of preoccupation with issues involving individuals' rights vis-a-vis the state and in society.

It is standoffish toward business.

The Court will probably tighten up further on anti-trust rulings, particularly making it more difficult for larger companies to merge, the authorities predict. It will move deeper into defining the extent to which states can tax interstate commerce, perhaps in the direction of giving states more authority in this field. In a labor case scheduled for this term, the Court is expected by some authorities to rule that an employer must negotiate with the appropriate union before firing workers for cost-cutting reasons.

Some Supreme Court experts foresee a possible bright ray for businesses in new scrutiny of federal regulatory agencies. They believe the justices may take a critical look at agency practices to see if companies and others governed by the bureaus receive full protection from the Constitution's guarantee of



## WHAT TO EXPECT FROM THE SUPREME COURT *continued*

due process of law. Most consider the justices largely in tune with the times. But even among the present Court's most ardent champions there's a feeling that it may be moving too fast with some rulings requiring social change.

"My impression is that this court is a broad-brush group, an extrovert court," says Herbert Wechsler, Harlan Fiske Stone Professor of Constitutional Law at Columbia University. While personally approving the results of many of the Court's recent controversial rulings, he has stirred controversy himself in legal circles by questioning if some of these decisions rest on principles of the neutrality and generality integral to judicial action under law.

Many out-and-out critics of the present Court would heartily agree.

### **Most serious attack**

So harsh has the criticism become that the Court is presently going through what some legal authorities consider one of the most serious attacks in history on its independence. This attack centers on the attempts this summer by Congress to restrict the type of cases the Supreme Court can review—specifically, suits attacking apportionment of seats in state legislatures.

The ruling this June that both houses, not just the lower house, of state legislatures must be based solely on population brought bipartisan action in Congress aimed at taking away the Court's authority over such matters. Its backers saw this as a far-reaching attack on the Court's independence.

"This is the most serious threat to the principle of judicial review in my time—if not any time," believes Alpheus Thomas Mason, McCormick Professor of Jurisprudence at Princeton University and author of several histories of the Court.

No matter with which side of any particular ruling you sympathize, full-blown controversies involving the tribunal have a way of becoming constitutional crises. A President can be damned or idolized without serious question being raised that the underpinnings of the Republic are being weakened. And

Congress is hardly ever accused of going beyond the bounds of the Constitution—except when it comes to the Court.

It's a different matter with controversies swirling around the High Court.

Unlike Congress and the President, the Court can't be voted out of office when the electorate disapproves of its doings. Justices are appointed by the President for life or good behavior and, says the Constitution, may not even be forced to take a pay cut.

"The President and Congress can be disciplined but the only check on the Supreme Court is the Court's own sense of self-restraint," asserts the dean of a leading southern law school, citing former Chief Justice Harlan Fiske Stone. This dean disapproves of recent Court decisions. He asked not to be quoted.

Because it is frustratingly difficult for opponents to force changes in its outlook, they often turn to methods which can be and are attacked as threats to an independent judiciary, though often quite constitutional. When President Franklin D. Roosevelt wanted to end Supreme Court rejection of many of his New Deal measures, he tried to get Congress to increase the number of justices so he could appoint men who would vote with him.

Congress has power to decide the size of the court. Many lawmakers and constitutional authorities believe Congress also has power to decide on the type of cases on which the Court can rule. And the Court itself seems to have agreed in an 1868 precedent. So it is now under attack by opponents who want to curtail the tribunal's authority to rule on the state legislature apportionment cases.

### **Accumulated ire**

This challenge to the Court picks up much of its steam from accumulated ire at the justices for a series of decisions stretching back over 10 years which stepped on many toes: school desegregation and subsequent civil rights decisions, orders barring prayers in public schools, rulings restricting congressional committees' powers over witnesses, decisions re-

garding accused persons' rights which make it more difficult for police and prosecutors to win convictions and, most recently, the reapportionment cases.

Critics contend that the Court, speaking through its liberal majority, has launched a conscious attempt to change many long-standing institutions, often by reading things into the Constitution which aren't there. The Fourteenth Amendment, for example, is used as the main authority by the Court for ruling that seats in both houses of state legislatures must be divided on the basis of approximately equal population.

This post-Civil War amendment says, among other things, "No State shall make or enforce any law which shall abridge the privileges or immunities of citizens of the United States; nor shall any State deprive any person of life, liberty, or property, without due process of law; nor deny to any person within its jurisdiction the equal protection of the laws." (For the full text of the Constitution of the United States see *NATION'S BUSINESS*, January 1964.)

Applying this amendment to requirements that upper houses of state legislatures must be apportioned on the basis of population is a long reach, several deans say.

Many Supreme Court authorities scoff at the idea that the justices set out to create policy by carefully picking the cases on which they'll rule.

Under Court procedure, appellants ask the Court to hear their case. The Court then chooses those cases which appear to present issues justices feel they should consider.

"The Court's decisions are centered on the problems that are brought before it," says Harvard's Dean Griswold. "I don't think the Court ever reaches out."

"There is no master plan," in the Supreme Court's decision to rule on some issues in certain ways and to refuse to rule on other issues, asserts Professor Gerald Gunther, constitutional law authority at Stanford University Law School. "The Court is in the business of dealing with major problems. Over the years, the Court has been extraordi-





UPI

## Government's three branches meet when Court hears President at the Capitol but the justices' current rulings often shatter such harmony

narly responsive in taking on the hard ones."

### Court's pattern

Calculated or not, there is a general pattern in the Court's rulings over recent years, many authorities agree.

"There are zigs and zags along certain lines," points out Eugene V. Rostow, dean of the Yale Law School. "Men resign and there are other changes. But the line generally continues. Take the Negro problem. We had a basic change a number of years back. The Court slowly asserted a certain position which in 1954 it asserted vigorously in the school cases. Congress finally affirmed the Court with the Civil Rights law this year. And now we have gone full circle. This term the Supreme Court is being asked to affirm Congress' action by ruling on the constitutionality of the Civil Rights law."

The Court's ruling on this law will be one of the most significant rulings of the 1964 term. Argument will begin early this month with a decision expected soon.

The Court, of course, is made up of nine individuals, so its rulings rarely follow a precise formula. Its complexion can vary and often does when the President appoints a new justice to replace an older justice who dies or has retired. A new appointment can swing the Court considerably by changing a Court divided five-to-four on certain issues to one divided five-to-four in the opposite direction.

When Justice Felix Frankfurter, then a relatively conservative member of the Court, retired in 1962, his successor Labor Secretary Arthur Goldberg bolstered the liberal side. Authorities generally divide the present justices this way: A majority of Chief Justice Earl Warren and Justices Hugo L. Black, William O. Douglas, William J. Brennan Jr. and Goldberg; those who tend to be more conservative on most issues are Justices Tom C. Clark, John M. Harlan, Potter Stewart and Byron R. White. The leading spokesman for conservatively leaning justices is considered to be Justice Harlan.

No one quite knows just how long

the present lineup will remain. Mr. Black is 78 and Mr. Warren is 73 but neither has indicated publicly any interest in retirement.

The views of the President in office at the time a new appointment becomes necessary would obviously help determine the new lineup. A President Goldwater presumably would seek a man with different views than would President Johnson, for example. But such considerations aren't always conclusive. Justices appointed as liberals often become conservative and vice versa after a few years on the bench.

Right now, the Supreme Court authorities are watching for another type of possible switch this coming year. They are wondering if the justices will ease off on apportionment and other controversial decisions in the face of attack from Congress.

"The Court has always been conscious of public opinion," explains Professor Mason of Princeton. "It has given ground often. It certainly did so in 1937." That was the year Congress squelched FDR's attempt

(continued on page 90)



# Highway program

Planners face complex problems in drawing



A MASSIVE new multibillion-dollar federal highway program is being planned in Washington.

The objective is to keep highway construction rolling beyond the 1972 date for completion of the 41,000-mile interstate system, which will cost an estimated \$41 billion.

Future costs have yet to be outlined, but few people expect federal spending for highways to drop from the level reached in the present million-dollars-a-mile program. A total of \$3.7 billion in federal funds is going into highways this year and, by 1972, this figure is expected to rise to \$4.2 billion.

Continuation of this rate of spending will mean that the program beginning in 1973 will cost as much in 10 years as the interstate program is costing in 16 years.

Complete reshaping of the federal highway program may result from a nationwide study now getting under way. Actual planning will have to await the end of the study, but highway experts predict that the new program will probably follow these lines:

Addition of further sections to the interstate system, possibly as much as 10,000 miles.

Construction of more expressways to handle growing traffic flow in our mushrooming metropolitan areas.

Extension and upgrading of the federal-aid highways which are not part of the controlled-access interstate system.

Planners also will have to answer

*States, industry must know what will follow current program, says Burch McMorran, leading highway official*

BURNS BROTHERS



# heads for new crisis

design for handling nation's growing traffic

a number of questions which are likely to stir up hot debate:

Should the federal government become involved in financing urban highways which are not part of the present federal-aid system?

Should the federal government help states pay the rapidly rising expense of maintenance on interstate expressways?

Are highway costs distributed fairly among those groups that benefit from them?

Are states where existing toll roads were incorporated into the interstate system entitled to federal reimbursement?

How can highway planning in metropolitan areas best be coordinated with planning for other forms of transportation?

Should a new category of federal-aid highways be established, falling between the 90 per cent U. S. share in financing the interstate system and the 50 per cent participation in primary and secondary highways and their urban extensions?

## **Target: 1993**

The mammoth study of highway needs after 1972 will cover, in varying degrees of detail, all of the 3.5 million miles of existing highways, roads and streets in the United States. It will also project those which will be needed in the future. A manual outlining the information to be gathered is now being drawn up by the U. S. Bureau of Public  
*(continued on page 44)*

*Need for more and better roads will continue, emphasizes Federal Highway Administrator Rex M. Whitton*





# How a subsidized

## Electric co-ops build reserves as U. S. supplies cheap money



GROWING NUMBERS of rural electric cooperatives are getting fat.

For years their lobbyists have nurtured the public image of lines stretching across endless miles of sparsely settled farmland—a profitless operation at best.

And today even private, tax-paying utilities agree that many farmers could not hope to obtain power at reasonable costs were it not distributed by nonprofit, tax-exempt co-ops whose facilities are subsidized by artificially low interest rates.

But it is equally true that some co-ops have accumulated massive reserves, variously estimated at 800 million dollars, giving them a great amount of political and economic power.

How do they do it? A report by the General Accounting Office, Congress' watchdog over government spending, suggests one way.

In May, 1962, the government made a \$6.6 million loan at two per cent interest for generating facilities to a cooperative whose general funds—cash plus investments—amounted to \$14.9 million.

The cooperative's financial forecast was predicting a cash margin—net cash from operations less debt repayments to the government—of \$55 million over the period 1961-70. The co-op planned to spend \$45.5 million during the same period for additions to its plant.

But here's the rub:

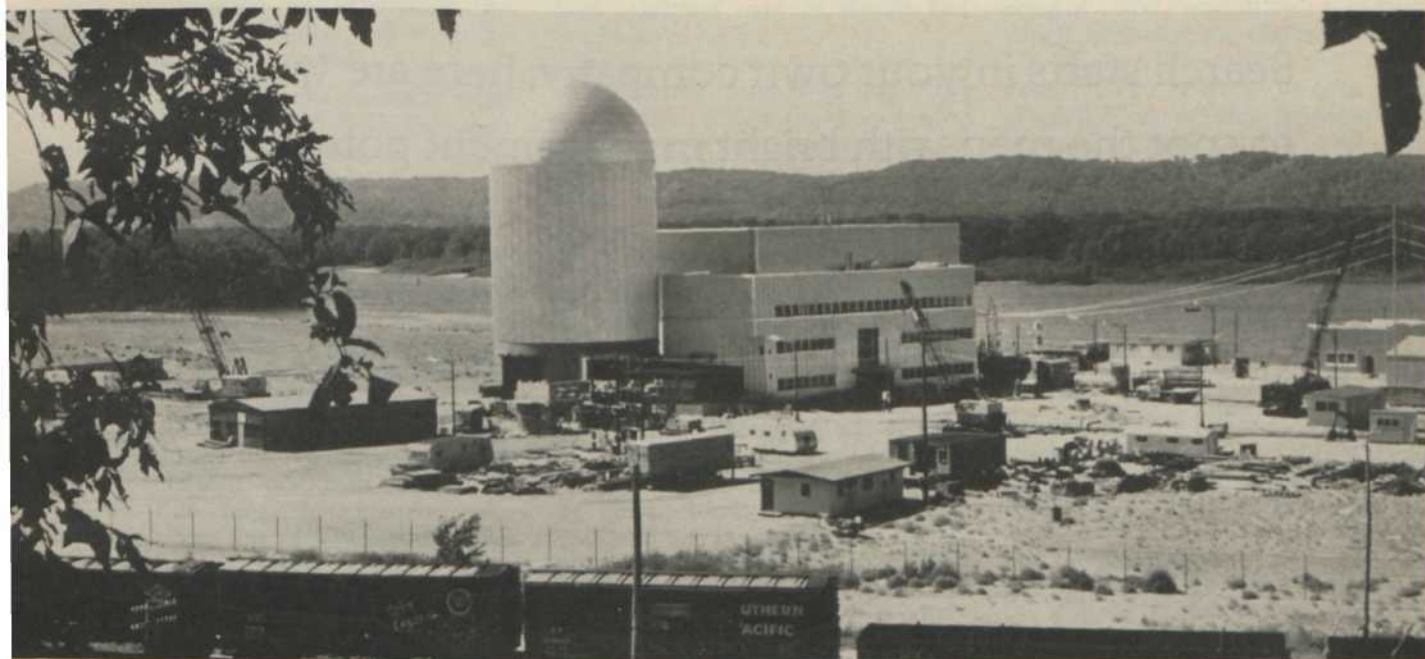
The same forecast provided for placing \$43.6 million of the \$55 million cash margin in investments yielding three to 3.5 per cent; the plant expansion would be financed by \$45 million in two per cent government loans.

Commenting on a case involving a co-op whose investments included government-insured loans draw-

Some distribution co-ops in remote areas serve one customer per mile



# business thrives



PETER MARCUS—BLACK STAR

A major industrial facility is represented by the Dairyland Power Cooperative, now building a nuclear power generating plant (above) at Genoa, Wisconsin

ing 3.5 per cent interest, Rep. Robert H. Michel of Illinois told Congress:

"No more ingenious method of milking Uncle Sam can be found than in this instance of borrowing money at two per cent from the federal government and investing the excess reserves of the organization at 3.5 per cent with the federal government insuring the loan. The co-op wins at both ends of the line, with the United States paying or guaranteeing all the bills."

These are by no means isolated cases. The government reports that general funds of co-op borrowers reached \$572 million in calendar 1963. This is slightly above the total a year earlier, when latest estimates showed more than half—\$278 million—invested in government bonds and insured notes. Less than 10 per cent of these bonds were in a special Treasury series created for co-op borrowers and carrying interest at

only two per cent. An earlier study of 35 borrowers by GAO showed earnings of three to 4.5 per cent on investments.

Of course, the over-all figure of a half billion-plus includes cash and investments of shakier operations as well as of more prosperous co-ops. Government figures for 1963 show 302 borrowers with general funds amounting to 10 per cent of plant, 181 with at least 20 per cent, the maximum recommended for operating capital, replacement, contingencies and certain permissible local investments.

These 181 co-ops represented a decrease from 263 in 1961, when the GAO listed 60 co-ops with more than 30 per cent, 17 with more than 40 per cent, four above 50 and one above 60.

Not all loans get approved, of course. Rep. James A. Haley of Florida recalls that co-op representatives from his district once

(continued on page 50)



# WHERE TO FIND NEW LEADERS

Search starts in your own company; here are ways to spot the men with bright management potential

**EXECUTIVES WANTED?** Look inside your company.

The best single source of managers is the force of the company in which a vacancy occurs.

The author made a recent survey of 40 major corporations, representing a cross-section of American industry and business. Top executives were questioned on their staffing practices. Three fourths of the companies indicated that they fill from 90 to 100 per cent of their vacancies from inside. Two said they fill all of them that way, and only four reported that they obtain less than half of their executives from inside.

A typical comment comes from I.B.M.: "Our company has a long-standing policy of promotion from within, particularly when management and executive positions are concerned. On those occasions when we recruit outside the company, it is usually for the purpose of meeting specialized requirements."

Kimberly-Clark officials report that they "develop and promote from within wherever possible." And the Bank of America comments, "It is our basic policy to utilize refined programs of training and development to produce officers capable of executive responsibility from within the ranks of the bank."

Who are the men with executive potential and where can they be found? Many companies do not have the answer. The companies which do generally base their

knowledge on a corporate-wide evaluation of all people in the management ranks. Not everyone will agree with this statement. An occasional retort from some executives is the comment, "I am close enough to my people to know who the good men are." But do they really? Have they objectively reviewed and compared the qualifications of their managers? Often they have not.

Many companies are unaware of the hidden executive talents in their ranks. It is possible to tap these

hidden resources and save thousands of dollars in recruitment expense. Some companies have learned how to exploit the full potential of men whose opportunities would otherwise have been limited.

In one company, for example, a purchasing man was moved to a sales management spot with remarkable results. In the same company, a labor relations specialist was transferred to a production assignment and three years later was named division general manager.

A search inside the company for

James L. Schultz, author of this article, is manager of personnel for Kaiser Aluminum & Chemical Corp., Oakland, Calif. He has had 15 years of extensive experience in executive recruiting and executive development at Kaiser and holds degrees from Allegheny College and the Harvard Graduate School of Business.

Here are five points to remember when you search within your company for a man to fill a job vacancy:

1. Don't limit quest to employees in immediate line of succession.
2. Evaluate candidates against job specifications, responsibilities.
3. Review experience, interests, performance, potential of candidates.
4. Check references of present employees as thoroughly as outsiders.
5. Consult other executives before final decision.



the right man to fill a vacancy can be carried to a successful conclusion if:

1. Consideration is given to all qualified candidates and is not limited to those in the immediate line of succession.
2. Job specifications, based on a clear understanding of job responsibilities, are considered in evaluating candidates.
3. Information on experience, interests, performance and potential is thoroughly reviewed.
4. Reference checks are made within the organization with the same probing attention that is given to outside reference checks.
5. Other executives in the organization whose judgment you value are consulted before you make a final decision.

The executive who follows this simple set of instructions will conclude his search with a suitable candidate or will have the satisfaction of knowing that no qualified candidates are available from inside the company.

Frequently, under pressure to fill the job, expedient decisions are made which bypass the route which could have led to a better candidate. Unilateral decisions may be made in an effort to avoid the de-

lay and interference which corporate systems sometimes introduce into the executive search procedure.

Some executives are driven to injudicious selections because they are appalled by the labyrinth of paper and red tape which they associate with the professional approach to executive placement. Unfortunately, the placement procedures in some companies are so involved that the objective of locating the most qualified man is almost lost in a maze of forms.

It is ridiculous to require the completion of forms or to insist that an executive follow the step-by-step procedures of an executive placement system if the choice obviously points to a candidate whose qualifications cannot be matched by others in the organization.

Some of the more successful searches are carried on with virtually no paperwork. One company consistently given a top rating by investment analysts approaches executive appointments with the attitude that it will brook no compromise until the best man is found, whether he's inside the company or outside. Through a pattern which has developed over the years, these are the steps which the company follows:

#### STEP ONE:

When the vacancy develops the executive concerned considers other managers under his direction. Often, he is thoroughly familiar with their background and the quality of their performance. If not, he checks their personnel files for up-to-date information.

#### STEP TWO:

He next talks to executives in charge of other divisions for suggestions on other qualified candidates. He obtains the personnel files of any who seem to qualify.

#### STEP THREE:

He reviews with his superior and the executive vice president his recommendations for a number one, a number two and a number three candidate. Further checking within the organization may result from this discussion. Final selection is the joint decision of the executive concerned, his superior and the executive vice president. If the final review reveals that no qualified can-

didates are available from within the company, then—and only then—will an outside search be initiated.

#### Philosophy is important

The system is informal. No paperwork, other than personnel files, is involved. There is no list of promotables, no manpower replacement schedules.

In place of these, however, is a philosophy of management development and executive selection which pervades the organization at all times. Executives are often asked, "Who is ready to take your place?" They develop managers by delegating responsibility and giving them opportunities to experience the full range of managerial activities.

There is no formal evaluation but company and division objectives are established at the beginning of each year and reviewed at the end of the year for an analysis of achievements. The results give a fix on the performance of each manager.

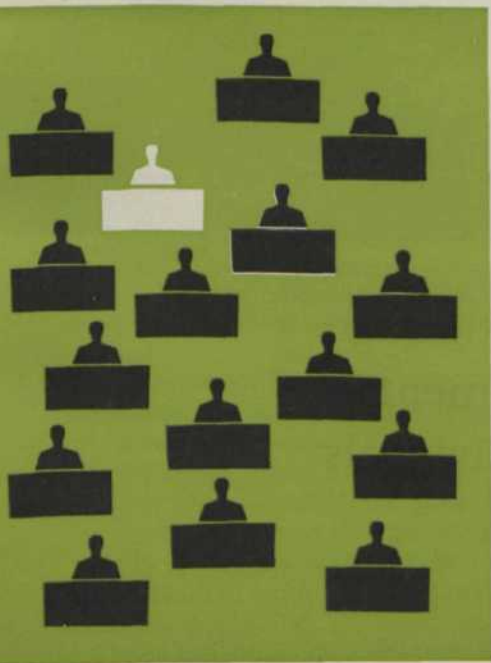
The stress which is given by top management to the importance of good executive selection gets results that the best paperwork system could not possibly accomplish without equivalent top management interest and active support.

In conducting an inside search the system itself is not so important as the ability to identify your best managers. This ability hinges largely on these rules:

Look ahead to the vacancies you know will develop. Don't wait until the position is vacated. By then it may be too late to canvass the organization to spot the most able candidate for the job. The candidate who could have been earmarked earlier for a pending promotion may have been tagged for a different job by a more forward-thinking executive in your own company.

Don't restrict your search activities to certain divisions or functions within the company. Don't have preconceived ideas concerning qualified candidates. Many men have hidden talent and exhibit remarkable executive powers when given the opportunity.

Be thorough in your evaluation of candidates. Penetrate beneath  
(continued on page 104)





# AFTER ELECTION: President will face these issues



PHOTO: GEORGE TAMES

Challenges range from cold war through  
the proper role of federal government in  
relations with localities and individuals



SOME OF THE LIVELIEST ISSUES of the 1964 political campaign will promptly expire the day after the election.

In contrast, other controversies which the presidential nominees are promising to settle will remain to plague the newly elected Chief Executive for years to come.

And, ironically, some crucial problems which will challenge our next President are being largely overlooked or skirted in the national political battle now under way.

Each candidate strives to single out the questions that will benefit him. But neither candidates nor Presidents can control what will be most critical.

To help you look beyond the debates of the campaign's final weeks, NATION'S BUSINESS talked with political scientists around the country to get their educated and detached views on what will be most important tomorrow—what issues the election won't change.

A broad-stroke answer comes from Clinton Rossiter, professor of government at Cornell University. "There are four major issues the election won't change," he says. "They are questions for this generation and perhaps longer:

"First, shall government intervene substantially in the economy to subsidize and stabilize?

"Second, shall government intervene decisively to build more of a welfare floor under the people who may need it?

"Third, shall government lead the way to a society of equality among all people?

"Finally, shall our government stay in the world on the basis of compromise with our allies and coexistence with those who don't agree or will we act as a unilateral force?"

Not all students of political science or practicing politicians would agree on this order or characterization of the dominant issues we face.

Others describe the cardinal questions as whether the trend toward a centralized national bureaucracy supported by excessive taxation will thwart creative enterprise, restrict individual freedom and subordinate it as an international goal.

In any event, many of the underlying public questions will involve the relationships between our government and our people and with other governments.

Within these broad boundaries, each candidate has stressed the issues he believes are of most concern to voters. Each candidate, in saying what's got to be done, implies that if the people elect him their worries will end.

Democrats imply that the election of Lyndon Johnson will lead to an elimination of poverty and to perpetual economic prosperity.

Republicans imply that electing Barry Goldwater will end big government in Washington and reduce the communist threat throughout the world.

History suggests that such momentous goals are most difficult to attain, despite a candidate's or party's sincerity.

These and other objectives probably will still be

sought by many successors to the next President. In fact, many of the fundamental issues he will face will be remarkably like those outlined by Thomas Jefferson that March day in 1801 when he walked up to Capitol Hill to deliver the first inaugural address in Washington.

President Jefferson called for "a wise and frugal government which shall restrain men from injuring one another, shall leave them otherwise free to regulate their own pursuits of industry and improvement. . . ." He urged "equal and exact justice for all men . . . friendship with all nations . . ." and preservation of the rights of the states as the best way to solve domestic problems. While he supported "the supremacy of civil over military authority," he also supported "a well established militia."

Civil rights is clearly one of the key issues of the 1964 campaign. But as Richard E. Neustadt, professor of government at Columbia University and author of the best-selling book "Presidential Power," observes: "The civil rights issue will not go away on the day after the election."

Whoever is elected, civil rights disputes will continue, agrees Evron M. Kirkpatrick, executive director of the American Political Science Association and former University of Minnesota professor: "Southern resistance and northern disturbances will go on for a long time. The Harlems of the big cities won't change overnight."

But civil rights, in most opinions, will not be a legislative issue again for some time.

"I doubt if there will be any more action in Congress on civil rights for at least two years," says Robert Kaufman, associate professor of political science at Western Michigan University and director of Michigan's Center for Education in Politics. The issue instead will be moved from the halls of Congress to city halls, statehouses, newspaper headlines, the courts and city streets.

The civil rights question is of historic importance not only in itself, but in its effect on other major national issues. Alfred de Grazia, professor of government at New York University, points out that the battle to give full civil liberties and rights to Negroes and the resulting emotional conflicts over race relations has raised great legal questions and has brought "severe blows to constitutional principles of the Republic."

Professor de Grazia sees as a continuing and underlying issue before the nation the question of whether challenges of all kinds will be met with more centralized bureaucratic actions from Washington or through local and voluntary actions.

Political scientists agree that in large measure the presidential election represents a "challenge to the development of the role of government since 1932," as one educator put it.

But one factor, in Mr. de Grazia's view, that could present difficulties for Senator Goldwater if he is elected would be the implementation of his more conservative proposals.

"There is widespread (continued on page 66)



# A LOOK AHEAD

## Computers will guide traffic

(Transportation)

## New building codes coming?

(Construction)

## Smart shoppers save

(Marketing)

### AGRICULTURE

Uncertainties over next summer's supply of farm workers harass growers of vegetables, sugar beets, fruit.

Today's uncertainties can have future impact because this is the time when farmers plan next year's production, line up financing. A short labor supply may induce farmers to switch out of some hard-to-harvest crops as well as bring cost increases.

Problems stem from expiration this year of law permitting Mexicans to enter country for seasonal farm labor. They do much stoop labor, hand-picking of fruit, sugar beet cultivation. Farmers in California, Arizona, Rocky Mountain states, Michigan among other places have difficulty finding enough American workers to do jobs. At peak, about 100,000 braceros work here.

Opponents complain Mexicans hold down farm labor pay scales.

New regulations apparently will permit braceros to come here to prevent crop losses. But some farmers fear they can't get workers when they need them.

### CONSTRUCTION

Crash program starts for agreement on nationwide uniform building code for houses.

National Association of Home Builders spearheads the campaign. Its experts meet with other build-

ing standards groups. The target: a model code by next summer.

Communities now follow welter of rules for construction, heating, plumbing, electrical work. Ohio, for example, has statewide code for all buildings except one and two-family dwellings. Communities set own rules. Many use outdated standards. Practically all discourage use of new materials, techniques by making updating difficult.

Home builders want cities to accept okays given by central testing groups for new materials, equipment, methods, such as Underwriters' Laboratories' approval now clears most electrical items. Nowadays, makers of new plumbing equipment must present technical findings to most local authorities separately. That's slow and costly.

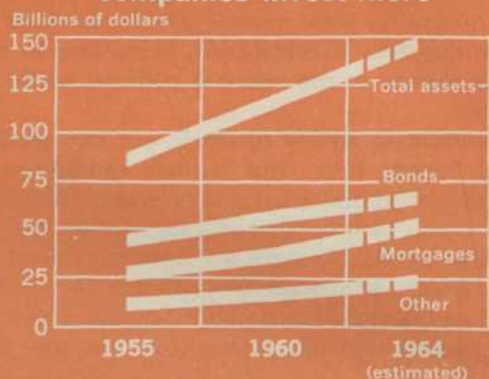
More than economics lie behind the campaign. Fear of Uncle Sam. Commerce Department already agitates to take on research and, possibly, regulation in building.

### CREDIT & FINANCE

New enterprises attract growing share of life insurance company investments—newer firms in technical fields, new apartment houses, modernized farms.

Home mortgages and U. S. government, public utility and railroad bonds still rank high in company portfolios. One third of investments are in nonfarm mortgages—some \$48 billion or over one sixth

### Where life insurance companies invest more



of all mortgage debt outstanding.

But new investments are going increasingly into industrial debt and income producing properties. Experts see the trend continuing.

Shifts into industrial bonds brings funds into area where capital is sometimes scarce and where safe investments yield relatively high return, says Dr. James J. O'Leary, vice president of Life Insurance Association of America. Holdings of industrial bonds climbed more than \$2 billion between mid-1963 and mid-1964.

### FOREIGN TRADE

U. S. companies, government plan new attacks on potential foreign markets for processed foods.

They schedule a show for trade buyers in Tokyo next spring, an American-style supermarket display selling U. S. brands in Brussels next year. These follow exhibits in Vienna, Frankfurt, this month's big 100-company show in London.

Some differences appear. Agriculture Department plays up gourmet foods while manufacturers push whole lines. "Many of our staples are considered gourmet items overseas," says an official of the Grocery Manufacturers Association of America.

Many U. S. items catch on. Cranberry juice makes a hit as a cocktail base in France, Englishmen gobble up prepared spaghetti, Germans go for Chinese dishes. But



there are problems. Germans have special rules on additives and coloring; French legalities block supermarket-type displays which sell food to consumers.

## LABOR

Significant labor law battle builds up for next year. Its outcome will affect freedom of managers to run business.

Main issue centers on arbitration in labor disputes.

The aim is congressional action overturning a 1960 Supreme Court ruling. That decision requires that every labor-management grievance raised under a labor contract with an arbitration clause must go to arbitration if it can't be settled otherwise, unless the contract specifically excludes the subject involved. Over 90 per cent of all labor agreements provide for arbitration as the ultimate step.

This and companion rulings mean unions can force arbitration of management policymaking in practically all fields, opponents assert.

Rep. Charles E. Goodell (R., N. Y.) pushes key proposal which would limit arbitration to matters clearly covered by bargaining agreement.

What's more, National Labor Relations Board extends Court's decision to require companies to bargain with unions on many traditional management matters. Supreme Court may rule on this interpretation this term in case involving Fibreboard Paper Products Corp.

## MARKETING

Here's new proof that the customer is a pretty wise character who can take care of himself—in the unlikely case you've forgotten.

University of Pennsylvania researchers find that a growing number of supermarket shoppers regularly hunt for pricing errors—prepackaged meat labeled at 59 cents instead of 95 cents a pound, for example.

This of course means bargains for customers and losses for stores. The researchers turned up this

habit while looking into the respective costs of supermarket competitive measures. When completed, the study will compare costs, sales-boosting power and other facts for such customer-luring methods as weekly price slashes, trading stamps.

Mispricing can make weekly price juggling costly, says Wroe Alderson, marketing professor at Pennsylvania. Store managers have to hound clerks to restamp cans correctly. Checks showed 15 per cent of items in some stores carried shelf prices different from the advertised price. And 40 per cent of these items were marked lower than the supposed special price.

## NATURAL RESOURCES

That age-old problem of how to catch a fish you can't see may get some new solutions for commercial fishermen.

Researchers are experimenting with sniffers, chemicals, sounds to spot and attract fish. John J. Supple, vice president of the Maryland Tuna Corp., spotlighted some of these futuristic methods at a recent oceanography conference.

Some fish seem to be able to smell others. So industry thinkers ponder invention of a sniffer that can follow a school of fish. Instead of chasing, some researchers talk of luring fish with appropriate smelling chemicals. Others try to attract fish by recreating sounds fish make.

Development of pumps which suck fish into boats may be the next revolution in catching the fish, fishermen speculate. Russians already use pumps on anchovy schools.

Costs, international competition prod fishery researchers. Japan, Russia, Peru and Red China now outrank the U. S. in size of catch; this country used to rank second.

## TAXATION

You can expect faster justice if you get tangled up with the Tax Court. That's the court that hears complaints against Internal Revenue Service rulings.

New procedures established over recent years will enable the court to

whittle its big case backlog this year, officials forecast. Pending cases totaled 9,654 as of June 30, down from 10,188 a year earlier. Over 5,000 new cases will be filed this year; totals are climbing.

It now takes 18 months to two years on the average from filing of a case to decision. But court officials say a growing number of suits are settled earlier, about three-fourths of those filed. Court procedure encourages more pre-trial conferences among parties, judges.

Help in speed-up campaign should come from new courtrooms to open in San Francisco this month, Pittsburgh, Denver later. The court's 22 judges are based in Washington but hear arguments in most major cities.

## TRANSPORTATION

Within five years, predicts a government expert, cities will swing to computer-controlled traffic systems. These are complex electronic networks in which street corner detectors sense the flow of autos on main arteries, flash the information to high-speed computers which instantly vary the timing of red-green lights, take other action.

Toronto, a pioneer with more than five years of experiments, is now putting redesigned computer hook-up into service. Baltimore studies a system. New York City plans installation of \$100 million setup.

Computers could boost capacity of streets by 50 per cent, says Richard Hopkins, Bureau of Public Roads expert.

Researchers go beyond use of lights to control traffic stream. They experiment with radio equipment which would let computer tell drivers of speedier parallel routes. For drivers approaching a metropolis, scientists work on variable colored signs at key junctions: green means traffic on one route is flowing at top speed, amber sign on alternate route means some tie-ups.

Planners say biggest technological problem involves enormous number of communication lines from streets to computers. Toronto uses telephone lines, others talk about microwaves.



## HIGHWAY PROGRAM

*continued from page 35*

Roads and the American Association of State Highway Officials.

Next January state highway departments will begin the job of collecting data, which will be turned over to the Bureau of Public Roads by 1966 for correlation and analysis. The Bureau and the states will work together to draw up the new program for introduction to Congress in January, 1967. Plans call for highway needs to be projected as far as 1993 so that an actual program of construction and financing can be established for the period from 1973 to 1983.

Planning this far ahead is essential because of the lead time required for congressional action and for translating a highway program into detailed plans and contracts for construction.

"We don't want any dead space between the expiration of the interstate program and the start of a new program," Federal Highway Administrator Rex M. Whitton says. "It takes about four years to develop plans to the point where you can build a road."

In addition to the impact which a lag would have on the national economy, he points out that it would cause a cutback in personnel in the Bureau of Public Roads, state highway departments and on the payrolls of highway contractors all over the country. These organizations then would have to be built up again for a new program.

"At the present time, the last authorized interstate system apportionment is scheduled to be made in 1969 for the 1971 fiscal year," explains J. Burch McMorran, president of the American Association of State Highway Officials. "It is essential that the states and the highway industry know what is to follow after 1972 not later than this 1969 apportioning date."

Discussing the probable scale of federal highway expenditures after 1972, Mr. Whitton says:

"The need for more and better roads will continue. We're not catching up with existing needs on the routes outside the interstate system. I don't see how there can be any showing that less funds will be required."

"After we have completed all that is planned in the present program, the need will still exist for more expressways and arterial streets in cities and for upgrading primary routes not included in the interstate

system and secondary routes which are carrying a heavy traffic load around cities. There also may be justification for adding mileage to the interstate system.

"We can't say until our study is finished, however, what proportion of emphasis should be given to each of these needs," he adds.

The nation's rapidly increasing highway requirements—and the growing role of the federal government in helping to meet them—point up Mr. Whitton's problems. We now have 82 million motor vehicles traveling nearly 800 billion miles yearly. By 1976 we will have almost 114 million vehicles traveling one trillion miles each year.

From the beginning of federal aid for highways in 1916 until Congress launched the current interstate program of super highways in 1956 the federal government spent \$9.6 billion for highway aid. This was 12 per cent of total highway construction expenditures in the country. Nearly the same amount was distributed by the Bureau of Public Roads to the states during the first three years of the interstate program, and the federal share of total highway spending now comes to more than half.

### **Backbone of motor transport**

The National Interstate and Defense Highway System is designed to provide the backbone of our country's motor transportation complex, a network of 41,000 miles of controlled access expressways connecting the major cities and industrial centers. When completed, it is expected to carry more than 20 per cent of the nation's traffic load although constituting only 1.2 per cent of total road mileage.

Now at the halfway mark, the 16-year program is moving ahead on schedule. Though some states are lagging, largely due to a scarcity of funds to match the federal contribution, they are balanced in the total picture by those states which are ahead of the timetable. Nearly 17,000 miles are now open to traffic and construction is under way on another 6,100 miles. Engineering or right-of-way acquisition is in progress on 12,200 additional miles.

Since the original planning, however, growth and changing conditions have produced requests by the states for more mileage on the system.

"I'm thoroughly convinced that we will need some additions after 1972 to the 41,000 miles in the system, but they will not be extensive," says Alfred E. Johnson, executive

secretary of the state highway officials' association. He estimates that added mileage will probably extend its length from 15 to 25 per cent. There is general agreement among federal and state highway officials that more mileage should not be fed into the system until after 1972.

"Perhaps we need some additional routes between key cities or through regions not now served," Mr. Whitton says. "Perhaps some of the metropolitan area networks that are essential parts of the system can now be shown to be less than complete. Certainly if the asking by the states has any meaning, there are several thousands of miles potentially eligible for the interstate system."

"In the foreseeable years beyond 1972, the capacity of some routes will be reached. More lanes, or other additions or changes, will be required. There may be urgent need for more than one route of interstate caliber within a single traffic corridor—that between Boston and Washington, for instance."

The continuing shift of population to the nation's urban areas makes this a vital aspect of present and future highway programs. About 11 per cent of interstate system mileage is here and, because of the higher cost of acquisition and construction, approximately half of the expenditures. The growing political influence of the big cities, both in Washington and in state capitals, also makes this a part of any highway program highly loaded with potential controversy.

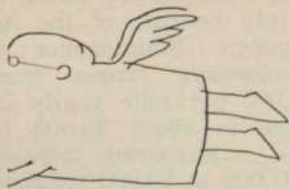
"Our major highway needs lie in the urban and suburban areas," emphasizes Mr. Johnson. Under the present program, city highways eligible for federal funds are those which are either part of the interstate system or urban extensions of primary and secondary highways in the so-called ABC system.

"The population shift renews thoughts of the concept of a federal-aid urban system—actually a network in each urban area that would be eligible for federal aid," Mr. Whitton says. The American Municipal Association has urged that a system be established apart from the interstate and ABC system to include arterial and circumferential highways and feeders to the other two systems.

Metropolitan area highways also offer the most complex problems in drawing up a post-1972 program. "In many cases we'll be laying out roads for suburbs that don't even exist now," Mr. Johnson remarks.

In addition, planners must coordi-





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## HIGHWAY PROGRAM

*continued*

nate their program with other forms of transportation, such as rail rapid transit, in the larger cities.

The question of whether a larger proportion of funds should be funneled into urban highways will have to be decided. There seems little doubt that more and more money will be apportioned to take care of city needs. The urban share has been steadily rising and is expected to reach nearly 40 per cent by 1970.

Congress emphasized the urgency of adequate planning for urban highways when it amended the 1962 Highway Act to bar federal highway funds after next July 1 from cities over 50,000 population which lack "a continuing comprehensive transportation planning process carried on cooperatively by states and local communities."

The Bureau of Public Roads says that more than 70 of the nation's 216 major urban areas will have to accelerate their progress if they want to avoid delays in highway construction after the deadline. A number of these, however, have not scheduled federal-aid highways for the immediate future.

"We must also go back to our highways outside the interstate system and bring them up to present levels of traffic and speed," Mr. Johnson points out. "These are the routes, many of them 40 years old and functionally obsolete, which will carry 80 per cent of the traffic after 1972."

These highways come under the ABC system. There are 225,000 miles of primary highways outside the interstate system and 621,000 miles of secondary highways. Much of this mileage needs to be widened, bridges widened, sighting distances improved and passing lanes added, Mr. Johnson says.

### Money still a worry

Financial problems, which have plagued the present federal highway program since its inception, will continue to trouble planners. The program is financed by the Highway Trust Fund, set up by Congress in 1956 as a repository for revenues from federal motor fuel taxes and various other taxes on highway users. Cost allocation studies, aimed at finding out whether the burden of highway costs is divided equitably among the various commercial and private users, are being made by the Commerce Department for presentation to the next Congress.

Any recommendations for change in the present division is likely to stir up heated debate.

The cost of highway maintenance, traditionally borne by the states, is rising sharply because of the interstate system. Maintenance of these expressways ranges from about \$20,000 per mile yearly in urban areas to about \$6,000 in rural areas, a staggering increase over the \$1,000 to \$2,000 required for other primary routes and less for secondary highways.

Officials in several states have suggested that the federal government share the maintenance load with the states, and Mr. Whitton has raised the question of whether the federal interest should "continue to be restricted to financing of new construction and improvements or should be extended to include traffic operation measures or perhaps maintenance as well?" Nearly all state highway officials, however, claim to be in opposition to any federal involvement in maintenance.

Mr. Whitton has suggested the possibility of creating an intermediate category of federal-aid highways between the 90 per cent federal share of the interstate system and the 50 per cent share of ABC system projects.

"Perhaps we need to assign part of the primary system to a new federal-aid system, lying next to the interstate in importance," he says. "The concept of an intermediate federal-aid system quickly raises the companion idea of an intermediate federal cost-sharing ratio of perhaps two thirds or three fourths." He adds that "one of the incidental virtues of such an arrangement would be to lessen the pressures for wholesale expansion of the interstate system."

Another problem which planners must resolve involves federal reimbursement to states which have had existing toll roads incorporated into the interstate system. A number of these states contend that they should be reimbursed for the federal aid they didn't get when these turnpikes were built. This brings up the further question of whether, if these states are reimbursed, the toll roads should immediately become free.

Threading their way through the maze of problems which confront them, highway planners face a task of immense proportions. One prediction seems safe, however—the federal highway program they draft for the years following 1972 will be as big or bigger than the one now half completed. **END**





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approached him for help in borrowing \$800,000 from the government at two per cent.

Asking to see a balance sheet for the co-op's operations, he found some \$5 million in "absolutely gilded stuff" paying four and 4.5 per cent interest listed as investments. Rather than help the co-op's cause, he threatened to work against it. The loan didn't go through.

### Hardly impoverished

Harry G. Guthmann, professor of finance at Northwestern University, notes that the co-ops are "far from being a poverty-stricken system."

They have been expanding their plant more rapidly than their borrowings, he observes, and still managed to increase their nonutility investments from \$192 million in 1957 to \$408 million in 1961.

The strength of the co-ops has grown especially with the big bulge in recent years of government loans for generation and transmission, the so-called "G & T's." Loans were \$89 million in 1960, \$151 million in 1961, \$155 million in 1962, \$183 million in 1963. As late as March of this year, the government expected to lend \$160 million for generation and transmission projects in fiscal 1964. The actual total for G & T's for the year ended June 30 dropped, however, to \$102 million. This drop coincides with new congressional pressures on REA to tighten up loan procedures.

Among other things, REA must make detailed surveys of proposed G & T projects, ensure private wholesalers full opportunity to enter an acceptable bid as an alternative source, and improve procedures for reporting to Congress.

Joseph C. Swidler, chairman of the Federal Power Commission, notes the growing importance of these "new cooperative instruments of area power supply which are now emerging, the large, complex G & T's with numerous interconnections, enormous power supply responsibilities to a diversity of customers, and a complex organization remote from the ultimate consumers."

Thirteen such co-ops have revenues of more than \$2.5 million a year and many more are in the million-dollar-a-year category, he points out, adding:

"One of them, with gross reve-

nues of over \$11 million a year, sells power at wholesale for resale to 33 electric utilities—27 cooperatively owned, five investor-owned and one municipally owned. Twelve of the cooperatively owned customers, in addition to serving individual consumers, are themselves sellers at wholesale for resale to 12 municipally owned and one investor-owned electric systems."

These big generation and transmission co-ops, which are formed to serve groups of cooperatives actually distributing the power to rural customers, are not alone in standing far removed from the popular image of farm distribution.

GAO reports that by Dec. 31, 1961, there were a full 227 distribution co-ops receiving 25 per cent or more of their revenue from commercial and industrial enterprises. Of these, 46 received more than half from this category, including a sprinkling in the 80 and 90 per cent bracket.

While the commercial and industrial category includes irrigation facilities, oil wells and oil-line pumping stations, it also embraces such enterprises as canneries and other food-processing installations in built-up areas.

### Studies take shape

The growing strength of some co-ops, as well as congressional impatience with subsidies, is reflected in two studies of alternative financing now under way, a co-op development being launched with private capital, an income tax investigation and plans for a broad investigation in the Senate next year.

The National Rural Electric Cooperative Association is sponsoring a study by the New York financial house, Kuhn, Loeb & Co., to determine the possibility of rural co-ops' obtaining some portion of their financing needs on the open market.

An aide to NRECA general manager Clyde T. Ellis adds that the capital needs of co-ops to meet expanding use of power are "greater than the amount of funds that Congress is willing to make available every year." Noting that two per cent interest has long drawn criticism, William Murray explains that the possibilities of private financing should be investigated.

"The co-ops vary from those that are just getting by to those that are prosperous," he tells NATION'S BUSINESS.

The Rural Electrification Administration, the government agen-



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cy which has been furnishing 35-year loans at two per cent interest for power generation, transmission and distribution, is seeking a middle ground "between the present basic type of REA financing and ultimate access of the rural electric systems to the private money market."

REA Administrator Norman M. Clapp has emphasized, however, that the new type of government loan, equalling the roughly 3.6 per cent it costs the Treasury to borrow money, would supplement two per cent financing which would be retained. Included in the study is the question of the point at which to switch a co-op from two per cent to higher-interest financing.

Mr. Clapp has suggested, moreover, that a higher interest rate would strengthen the co-ops' case in seeking more government financing for their growing needs.

Mr. Ellis of NRECA speculates that higher interest rates for co-op borrowers might justify removal of some present restrictions on the use of loan funds. In this connection, he has written: "Generally speaking, for example, REA funds cannot be used to serve people who are already served."

Private capital is already financing a joint project by a generation co-op and an investor-owned utility in Ohio, in which both will share in the cost of a \$125 million facility. One generating unit each is being built by Buckeye Power Inc., a cooperative formed by 30 distribution co-ops in the state, and by Ohio Power Co., a subsidiary of American Electric Power Co., Inc.

The Buckeye unit is to serve the state's 30 distribution co-ops, which now are served by Ohio Power and six other investor-owned utilities. The private utilities will lose the co-ops as wholesale customers, but will derive some revenues from furnishing Buckeye power to the co-ops via the utilities' own lines.

AEP President Donald C. Cook tells NATION'S BUSINESS that his organization negotiated the arrangement with the co-ops in the belief that they otherwise would go to the government for a two per cent loan to build not only generation facilities but duplicating transmission lines.

Mr. Ellis of the NRECA comments: "This is possible for us in Ohio because of the greater consumer density on our lines and

because the Ohio co-ops are older than most and in better financial condition."

FPC Chairman Swidler disagrees. "I think private financing is a real prospect for the future. So I don't think you ought to look at the Buckeye example as being just an isolated case."

Private industry estimates show that co-ops are in particularly strong reserve positions in Illinois, Indiana, Iowa, Minnesota, Tennessee, Texas and Wisconsin, besides Ohio.

The tax investigation under way involves the Appalachian Electric Cooperative of Jefferson City, Tenn. Representative Michel has charged that, on the basis of a 1960 audit, the cooperative had accumulated nearly a million dollars above the amount required for normal reserves.

Despite this, he adds, the co-op received a \$3 million loan from the government in 1961.

A suit was filed by some co-op members to force the directors to return a proportionate share to member-patrons, and the cooperative subsequently reduced its rates somewhat. But this did not stop an Internal Revenue Service investigation that could help deter other cooperatives from accumulating fat surpluses.

The Illinois congressman quoted an IRS official as saying that "the issues include the question of whether the company's operations are in fact cooperative and presents the possibility of accumulation of excessive income reserves yielding investment income in excess of statutory limitations."

The law says that a co-op must receive at least 85 per cent of its income from members for the sole purpose of meeting losses and expenses.

### **Warning from REA**

Last spring, after Mr. Michel first made his charges, REA issued a bulletin to borrowers warning that excessive funds should be returned to patron-members. "Their income tax treatment is based on the fact of cooperative, nonprofit operation," wrote Administrator Clapp.

In a letter to Mr. Michel, John W. S. Littleton, director of the IRS tax rulings division, has noted that co-ops' tax exemption depends upon mutual operation:

"A mutual organization should be so organized and operated that its members have the right to participate in and choose its manage-

ment, to receive its services substantially at cost, to receive a return on a patronage basis of any excess payments over losses and expenses, and to share in any remaining assets upon dissolution."

He added at another point: "It follows that reasonable reserves established for the purpose of meeting future losses and expenses may be maintained, but any excess earnings not needed for losses and expenses belong to the members."

His statement does not clarify the status of funds neither returned to patrons (in the form of refunds or rate reductions), applied to plant expansion, retained as necessary reserves and operating capital, nor used to pay off government loans in advance.

IRS says there is no fixed percentage for reasonable reserves, which include provision for depreciation and must be determined on a case-by-case basis. Officials interviewed by NATION'S BUSINESS know of no case of a co-op's losing its tax exemption because of reserves—in a contested case, at any rate. REA says exemptions have been lifted for power sales to non-members, disposal of nonutility property and like reasons.

Under pressure from House and Senate Appropriations Committees, REA itself has been tightening up. Since 1962 the agency has been requiring special justification from loan applicants who have general funds amounting to 20 per cent of plant. (This includes six per cent for operating capital, six for plant replacement and three for contingencies plus five per cent for certain local investments.)

The co-op cited by GAO as planning to finance major expansion with two per cent loans while sinking cash margins in high-yield investments had reserves of 19.6 per cent before the loan was approved.

And GAO notes that another co-op made advance payments on an earlier government loan to bring reserves below 20 per cent, to become "eligible for a new REA loan of questionable need." The total in advance payments on the books stood at \$237 million last June 30. Some industry sources feel these funds realistically should be considered as reserves in evaluating a co-op's financial position.

Then came REA's bulletin last spring recommending refunds to patrons when possible and establishment of records to reflect how much each patron has coming. IRS officials expect a ruling along the same lines to be issued this fall, possibly





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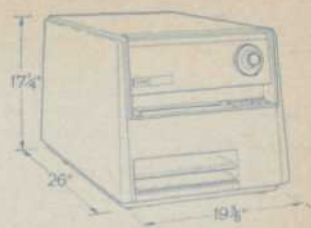
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*continued*

covering other questions relating to reserves.

Finally, REA late this summer issued a notice strongly urging co-ops due to receive funds under loan contracts already in force not to seek advances if their reserves exceed 20 per cent or would as a result of receiving the funds. A flat requirement to this effect will be incorporated in new loan agreements. Total loan funds approved but not actually advanced stood at \$735.8 million last March.

Of course, reserves are only one indication of a co-op's financial health. Government officials report that growing numbers are able to finance all or most of their system expansion without recourse to government financing. And 111 co-ops—more than 10 per cent of REA borrowers—managed to reduce their rates during the fiscal year just ended.

The entire question of the co-ops, their financing needs and ability to meet them, will be explored next year by the Senate subcommittee on Agriculture Department appropriations. Sen. Spessard L. Holland of Florida, the subcommittee chairman, tells *NATION'S BUSINESS* the study will cover:

**Interest rates.** Bills have been introduced to raise government interest rates to co-op borrowers to 3.6 per cent or the going rate paid by the Treasury. One would preserve the two per cent rate for improvements within areas now served by co-ops, but apply the Treasury rate on all major expansion.

**Types of service in rural areas,** the question of territorial allocation between co-ops and private utilities, and standards for generation and transmission projects by co-ops (a major weapon in competing with investor-owned utilities).

**The cost of power.** Senator Holland notes that in many cases co-ops charge customers higher rates than do private firms.

**Dual rates,** whereby private wholesalers provide power to distribution co-ops at one rate for their rural consumers—at close to cost, says the industry—and higher rates for additional power the co-ops propose to furnish to industrial consumers. The government has been using the threat of G & T loans to persuade private wholesalers to abandon dual rates.

END



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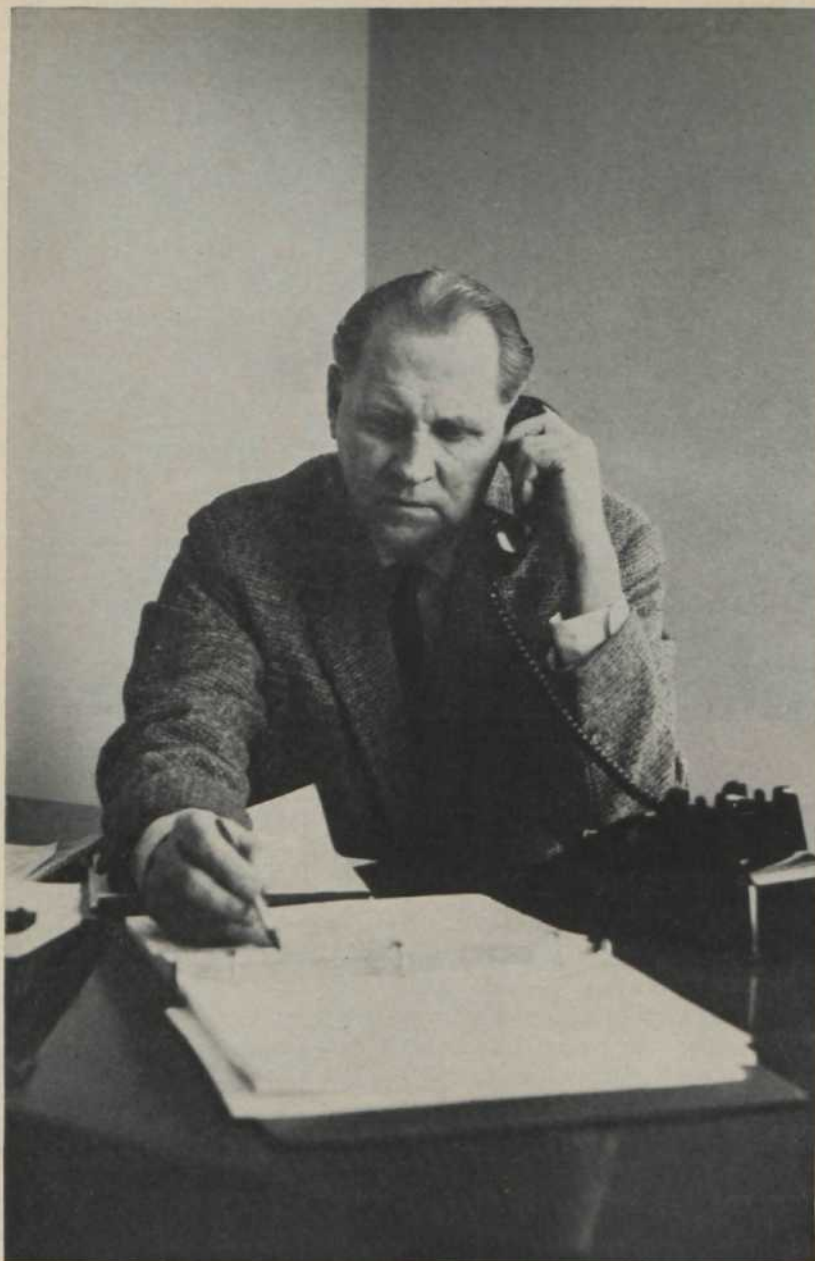
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**1** Diversion begins when shipper calls Rock Island freight agent, requesting that his car (en route to Wichita) be re-routed to Denver.



**2** Agent teletypes customer's request to the Chicago communications center.



**5** Classification yard receives the message via microwave, and arranges to accomplish shipper's request upon arrival of train.

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**3** The tape message is received at the Chicago communications center.



**4** Minutes later, the Chicago office has located the car. The information is relayed to the classification yard next in advance of the car.



**6** Switch crew is contacted by 2-way radio, and advised of changed routing.



**7** Upon arrival of train at classification yard, shipper's car is switched out for pick-up by Denver-bound freight.

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# WHY CONSUMERS SPEND AND SAVE

Survey specialist tells how Americans  
set sights on higher standard of living

IN A VERY REAL SENSE our economy turns on the impulses, fears and aspirations of growing millions of Americans with money in their pockets to spend or save.

But what will tomorrow's pattern be? One of rising levels of spending for the products and services of business and industry? Or will future forces depress or shatter the consumer's willingness to spend more of his income?

Dr. George Katona, director of the Economic Behavior Program of the University of Michigan's Survey Research Center, has spent years tracking down the answers to these and related questions. His surveys of consumer intentions and studies of why consumers act the way they do have made him widely recognized as an authority in the field.

While he does not make any hard predictions of which way the trends will go in the years ahead, Dr. Katona has isolated forces which will shape the ultimate performance of the consumer. They are described in his new book, "The Mass Consumption Society," soon to be published by the McGraw-Hill Book Co.

The book contains research findings supporting the conclusions reported here. What follows are excerpted highlights—factors the author believes will influence spending patterns in this country for years to come. Awareness of these factors will aid you as you plan your company strategy for the future.

• • •

## **Consumers must expect improvement**

IN A MASS consumption society such as ours, con-

sumer aspirations are highly important in determining economic growth.

Prosperous times can endure only if accomplishment continues to make levels of aspiration rise and consumers continue to set their sights higher after they have improved their standard of living.

People must be optimistic about their own and their country's economic prospects. They must have confidence in their ability to improve their standard of living if they are to raise their sights. Unless they can look forward to concrete rewards in the not-too-distant future, they will not work hard to improve their own situation.

Rising incomes are not simply a measure of economic growth but the motor that triggers hard work, the striving for advancement, and the desire for more of the good things of life.

During the past decade some economists have advocated inflationary policies in order to produce rising incomes and economic growth. In their opinion the money illusion—a dollar is a dollar even if its purchasing power declines—would help to make creeping inflation beneficial rather than harmful.

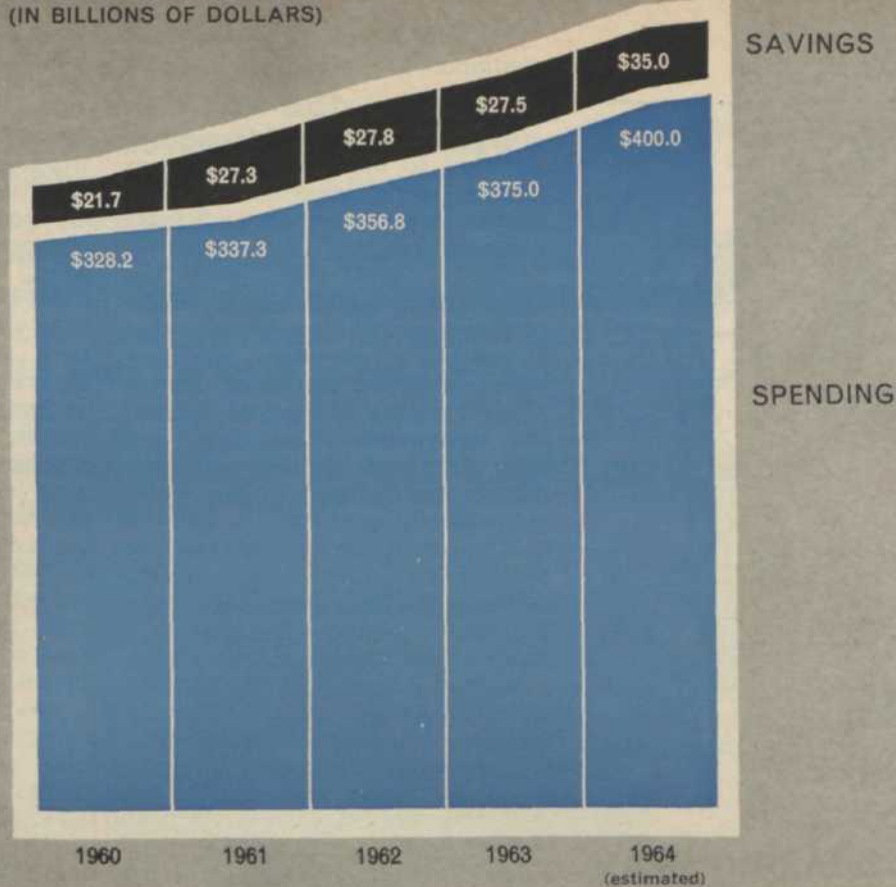
Research shows, however, that people are quick to recognize price increases and cling to their deep-seated belief that inflation is bad.

What's needed, then, is the confident expectation of rising incomes as well as reasonably stable prices.

These goals can be achieved because productivity is rising, as a result both of technological progress and the growth of mass consumption. We in America have realized income increases far exceeding price increases for the past 20 years. This has not been an



(IN BILLIONS OF DOLLARS)



accident, but it demonstrates the possibilities inherent in a mass consumption society.

Last year was a good year primarily as the result of rising consumer demand for automobiles and housing. Thanks to the tax cut, 1964 is better still.

Yet too slow a rate of growth may again threaten the American economy.

Recognition of the consumer's role in today's economy by the government and the community of economists is still limited. Much remains to be done in this respect, and much more must be known than is known today about how to sustain high-level discretionary demand by consumers and how to transmit the benefits of such demand to technological progress and business investment.

As is well known, technological progress has harmful as well as favorable effects. Automation helps to produce better goods more efficiently, but it also leads to the displacement of workers.

Widespread unemployment must be fought, not only for the sake of the unemployed and those threatened by unemployment, but also because it harms even those who are not likely to lose their jobs. People who have a lot and strive for more also have much to lose, are inclined to worry and sometimes become insecure.

Widespread insecurity and anxiety constitute threats to our society.

These threats extend, of course, not merely to the economic but to the personal, emotional and social levels as well.

These areas of concern can best be provided for if the economy is soundly based on a large, optimistic

mass of consumers constantly seeking to improve their way of life.

• • •

#### **Consumers resolve save-spend dilemma**

NO ONE CAN DENY that there is great concern with material goods in our society. But larger reserve funds are also considered part and parcel of a better standard of living.

People strive for a better home and car, more durable goods, occasional travel, fun and enjoyment, as well as security through the accumulation of savings. Most people are not aware of a sharp distinction between owning many things and owning financial reserves; they want both and take steps toward both goals.

Different ways of using one's money are often in conflict. Determining priorities among several goals constitutes crucial decisions, even on the part of affluent people. To buy a new car and to build a second bathroom, for instance, may both be urgent wishes of the family; or both a better and larger refrigerator and increased reserve funds may be pressing desires of another family.

The point is that conflict between spending and saving plays the same role as conflict between two expenditures; the first type of conflict is neither more common nor more fundamental than the second type. Consumer thinking in general is not correctly described by asserting that people first decide how much to spend and how much to save, and later decide on what to spend.

Many people are not aware of a conflict between





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NB-4

## CONSUMERS

*continued*

spending and saving, although they do want to increase their savings and are at the same time eager to acquire more and newer and better consumer goods.

Not only low-income people, but also some people in good financial condition report that buying what is absolutely necessary for them exhausts all that they earn. Extensive contractual obligations, including repayment of mortgage and other debt and life insurance premiums, are included in the necessary expenditures.

More important than this pushing aside of the conflict are other methods by which consumers resolve the problem of desiring both to save more and to buy more things. One resolution is to do both. This sometimes becomes possible through an increase in income. At other times it is made possible by paying for expensive consumer goods on the installment plan.

Some people wait to see how much remains after other wants have been satisfied before they save. Because some motives to spend are more immediate than the motives to save, saving is postponed and the postponement may be repeated over and over again. But it should not be forgotten that there are other people who carry out their plans to save.

Dissatisfaction with the amounts of savings or reserve funds is widespread—much more so than dissatisfaction with the standard of living. In neither case does satisfaction or dissatisfaction depend exclusively on what one has. Many people with fairly large assets are found to be dissatisfied, and many with quite small assets satisfied with the size of their reserve funds. Needs and levels of aspiration may rise after an improvement in one's living standards as well as after an accumulation of some reserve funds. What has been called upgrading of consumer goods has its parallel in savings.

A few words must be said about the relation of saving to the desire for security. Critics who argue that in today's allegedly materialistic society saving loses out forget that at the same time other critics assert that the society is security-minded and lacks ambition, risk-taking and entrepreneurship. The distinction between achievement and security-mindedness has a weighty psychological foundation, and people of

both types, as well as of many mixed types, are to be found in present-day American society.

In analyzing motives to save we found that saving for a rainy day, which reflects concern with security, is ubiquitous. Yet the meaning of security has undergone some changes during the past few decades.

Most American families today have extensive contractual obligations. A substantial share of their income is earmarked—either legally or by subjective commitment—for specific expenditures. Installment payments on a car or other goods must be met, and rent or mortgage debt as well as a variety of dues and fees must be paid every month.

Most people are aware of these compelling needs which, together with necessary expenditures for food, use up a large part of their income. Decline in income, then, is not just an inconvenience but a tragic occurrence. Security represents assurance that one will be able to meet the contractual obligations; insecurity represents a threat to the continuation of the way of life which is considered standard and normal.

• • •

### Consumer assets

SECURITY and savings are closely related, because the availability of some liquid reserve funds provides the assurance that contractual obligations will be fulfilled. Frequently, then, concern with security does not represent a desire for a soft and easy life, or for relaxation and the enjoyment of good things, in preference to striving for improvement. Feeling secure about one's standard of living constitutes the basis for aspiring toward a better and more abundant life.

Through saving money some people acquire wealth; most people acquire some reserve funds which they consider less than adequate for their purposes. Consumer assets are highly concentrated; relatively few families own the major share of all financial wealth in private hands. If we exclude the approximately 15 per cent of families whose net worth amounts to more than \$25,000—most of these cannot be called wealthy—and if we exclude the roughly 30 per cent of families who have practically no financial assets, we find that the average family has assets (minus debts) approximately equal to its income in one year.

Statistical data on amounts saved by individuals in a given year and



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## CONSUMERS

*continued*

on financial assets owned by them are subject to considerable error. Great difficulties prevail in separating savings of unincorporated businesses, trust funds, estates and pension funds from personal savings. Sample interview surveys represent the only source of information on the distribution of savings among families. In order to answer questions about the relation of income or age to assets, for instance, the perusal of records does not suffice, and it is necessary to turn to the savers themselves.

According to surveys in the early 1960's, each year about one half of all spending units saved some money, about one third lost ground, and the rest broke even. Saving is defined here as the increase in bank deposits, securities, and investments in real estate and business and the decrease in installment and personal debt.

### Consumers weigh inflation

IN ALL the postwar years neither experience with inflation nor the expectation of further inflation detracted from people's will to save and hardly worsened the competitive position of such fixed-value assets as bonds and bank deposits.

Savings accounts with savings and loan associations, mutual savings banks and commercial banks are extolled as being secure, liquid and convenient. No signs of recollection of the bank failures of the 1930's could be found. The highly desired savings must be safe beyond question. People in all walks of life believe that this goal is achieved only when the money is in United States government savings bonds or in banks.

For millions of people the money in savings accounts is subjectively earmarked for a variety of long-range purposes—for retirement, for the education of children, for paying for certain large purchases, for a trip. But even in these cases people wish to have their savings readily available on short notice.

Since a substantial share of the reserve funds held by the American middle class is in fixed-value investments, it has been argued that the middle class has suffered great losses due to inflation and would suffer further substantial losses if inflation were to continue. The classification of asset holdings according to surveys seems to bear out this conten-

tion: Among holders of savings and reserve funds exceeding \$5,000, only 17 per cent were found to have their savings invested overwhelmingly in stocks and real estate; twice as many families (35 per cent) had practically all their financial reserves in fixed-value investments. The remaining 48 per cent had both kinds of investments.

But a very important asset is not considered in these calculations. This is home ownership. The majority of people with noninflation-proof reserve funds were found to own their homes, and their equity in the home represents a substantial proportion of their reserve funds. When it is also considered that repayment of mortgage debt becomes easier when inflation progresses, the conclusion emerges that home ownership offers substantial protection against possible losses on bank accounts and bonds.

### Consumers review interest rates

MIDDLE-CLASS savers have some awareness of prevailing interest rates. During and shortly after the war it was fairly generally known that war bonds "pay three per cent a year"—even though these were actually discount bonds and the interest was much smaller if the bonds were not kept for 10 years, a fact which was not well known.

In the 1950's and the early 1960's, very many people were found to have correct notions about the interest rates they received on their savings accounts. Interest rates are considered fixed by outside forces.

What makes them rise or fall most people do not know, but they do not think that they themselves have any influence in the matter.

Any rate that is paid over an extended period and is quite uniform among different banks is seen as the right rate. On the whole, the American saver was satisfied with the interest received, whether it was three per cent or four per cent at any given time.

To increase one's income through the receipt of interest (or dividends) is not one of the major purposes of saving. The great majority of Americans save because of the threat of emergencies, or for retirement and the needs of their children, but not for the sake of receiving interest. The receipt of interest represents a bonus. If the bonus is higher than before, it is appreciated, but higher rates do not induce people to save more.

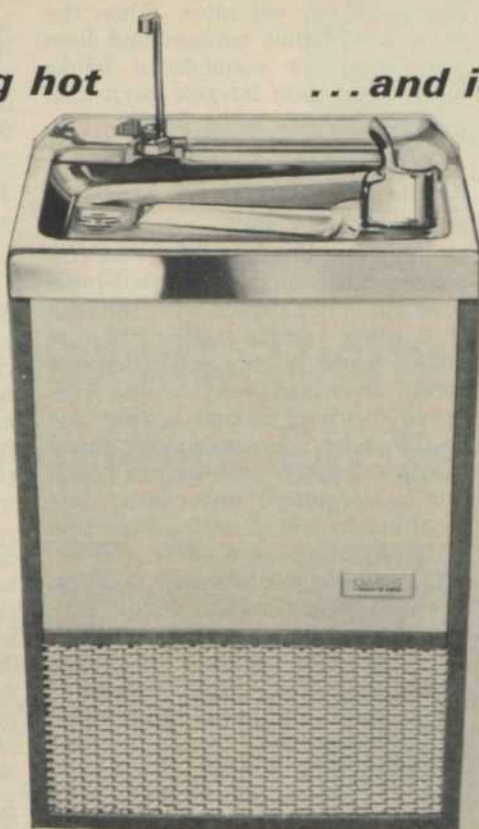
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# Business taxes in New York State are lower than you think

Many firms interested in relocation consider only state taxes. But in many states you pay for vital services such as roads, sewerage, fire and police protection through a complex maze of local taxes, which are often less flexible and predictable.

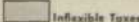
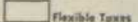
In New York State business tax collections have risen less than in any other state. Moreover, a new state law allows you to write off any plant or equipment in half the time allowed by the federal tax authorities. And you can write off research and development facilities in just one year.

## NO PERSONAL PROPERTY TAX

In many states personal property taxes exceed real property taxes. And these property taxes must be paid each year, regardless of profit or loss. However, in New York State there's no tax on personal property, inventory, equipment or raw materials.

## TWO STATES COMPARED

Take the example of a manufacturer who has to maintain expensive production and research equipment. Here's how this tax bill would be assessed in New York and in a neighboring competitive state.

STATE "X"	NEW YORK
Other 8%	
Annual Franchise 5%*	
State Property 4%	
Local Real Property 20%	Corporate Franchise 55% Based on Income
Local Tangible Personal Property 54%	Local Real Property 45%
 Inflexible Taxes	 Flexible Taxes

\* Based on capital stock

The taxes in the neighboring state are inflexible and based to a great extent on real or personal property or inventory. These stay the same, regardless of earnings. In New York over 50% of the taxes are flexible and based on profit. This prevents high taxes in a bad year.

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**DISCOVER THE NEW  
IN NEW YORK STATE**

## CONSUMERS

*continued*

change in interest rates. When the news comes that savings and loan associations or commercial banks have raised their interest payments, it does influence some people.

• • •

### Assets affect buying

PRACTICALLY always, the saver is at the same time a worker—an employee, a salesman or a small businessman—preoccupied with the task of earning income rather than of taking care of his savings. One great advantage seen in the preferred forms of saving is that one need not be concerned with them. Savings deposits and savings bonds can be forgotten; one cannot lose anything by not devoting attention to them. Thus, as a saver, the average American does not conform to the theorists' notion of an "economic man."

Yet something resembling an economic man was discovered in a study, based on special methods of sampling, in which a fair number of investors with \$100,000 or even more than \$1 million in assets were questioned about their investment policies. The process of decision-making by the large-asset holders is different from that of the average saver in several respects.

1. Top asset holders are inflation-conscious. Their investment policy is consciously directed toward the problem of hedging against inflation.

2. Top asset holders are interest-conscious. They review their investments frequently and sometimes shift them, often on very short notice, to take advantage of interest differentials amounting to not more than one eighth or one fourth of one

percentage point. Government securities other than savings bonds—treasury bills and notes, tax-exempt bonds—as well as mortgage loans and foreign investments, practically unknown to the average saver, are familiar to many top asset holders. Considerations of yield influence the purchase or sale of these securities.

3. Top asset holders are tax-conscious. They devote time and energy to finding investments that may minimize income and estate taxes.

4. Top asset holders are concerned with leaving an inheritance to their children. The middle-income saver is hardly cognizant of this motive to save. He thinks in terms of giving his children a good education and possibly assisting them in starting in their business or professional career. He believes that everyone must make his way on his own. The transfer of assets from our generation to the next is, in most cases, accidental rather than intentional. The wealthy, on the other hand, are concerned with establishing and preserving a family fortune. They often set up trust funds to preserve wealth for their grandchildren.

5. Top asset holders devote much time to managing their investments. The task of management consists not only of extensive reading but also of discussing financial matters with other investors. They also have access to professional advisers and make use of them.

These findings are important, because holders of large assets, though relatively small in number, control a very substantial part of the nation's wealth, are much more active traders than other people and exert a great influence on the outcome of monetary policy through their reactions to new measures and regulations.

**END**

## FACE THESE ISSUES *continued from page 41*

criticism of executive monopoly of power, infringement on states' rights and the sanctity of the Constitution, and frequent pleadings for local initiative and private action," says the professor.

"But are there enough people skilled and experienced in carrying out these principles and theories? We've lived under the trend toward centralized power so long many people don't know there is another way of doing things other than from Washington. Conservative ideas are not outmoded, but the skills and in-

tellectual capacity to carry them out are scarce."

### Who will lead us?

Some major issues of the future will depend on who is elected, in the view of Dean Stephen K. Bailey of the Maxwell Graduate School of Citizenship and Public Affairs, Syracuse University.

"Each Administration tends to identify its own crises, and some would not appear obvious to Goldwater in the same degree as to Johnson," he comments. But he believes





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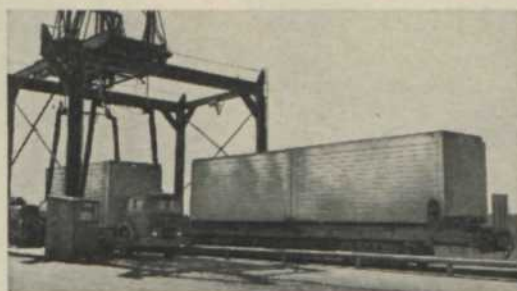
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÷	250.00
÷	.20
÷	.00 T C
÷	7,500.00
÷	250.00
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÷	.00 T C
÷	12,500.00
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÷	.50
÷	.00 T C
x	9.75
x	.15
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## FACE THESE ISSUES

*continued*

that "no President can turn his back on the economic and moral issues concerning the developing nations or on the relationships between the U. S. and the communist world."

A big question will be whether communism "is treated as a monolithic thing or as a complex, diverse historical movement one part of which can be played against another," says Dean Bailey.

"Whoever is President, we will need to decide our relationships with the United Nations, regional organizations and alliances and we will need to define the communist threat."

Political scientists agree that the election won't change many of the substantive problems of today—how to deal with other nations, with urban sprawl, the problems in the labor force as a result of automation and accelerated technology, the educational needs of the young and the medical needs of the elderly, and the ways and means for financing it all, and whether we should have freer trade or if there will be enough room for recreation American-style.

But many issues now being argued will undoubtedly change in nature or scope in the future. And others being avoided or barely touched on will command close attention from the next President.

One of tomorrow's major questions involves the growing East-West *detente*—the atmosphere of relaxed tensions between the U. S. and Russia. Robert Osgood, professor of American diplomacy, Johns Hopkins University, predicts that, "barring Khrushchev's death, the *detente* will accelerate and raise untold problems because it will loosen both the Atlantic Alliance and the Warsaw Pact."

It will be difficult for whoever is elected "to deliberately increase tensions and avoid offers of agreements from Russia," he adds. And, "neither Goldwater nor Johnson could avoid the dilemma of the resurgence of our European allies on one hand while at the same time having no political and military unit to achieve their aims."

George Grassmuck, professor of political science at the University of Michigan, declares: "We haven't really come to grips yet with the basic issues of foreign policy at the White House level. We probably will have a new role in the free world not as a supreme leader but as a collegial leader. We've got to





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## FACE THESE ISSUES

*continued*

decide whether we can tell nations in the Atlantic alliance or Latin America what to do or merely set a tone and try to lead them. We haven't even been able to solve problems between such allies as Turkey and Greece though they could use the foreign aid we give them against each other."

If, as Totten Anderson, chairman of the political science department at the University of Southern California, points out, there is a return of Stalinist policies as a result of increased competition in the politburo, the issues could change. The *detente* could be over.

In any case the new President probably must face Red China's drive for United Nations' membership, Europe's cries for a larger voice in nuclear weapons decisions, overtures from Cuba's Castro, proposals from the Kremlin for disarmament or summit meetings, touchy Franco-American relations and the whole enigma of Southeast Asia, to mention a few problems.

### **The question of money**

Another dominant issue which, like foreign relations, was born with the Republic, is how government will be financed. From our earliest days, controversy has raged over the means by which government would raise revenue, how much it would spend and on what level. In the past generation the debate has largely centered on the level of federal spending, which has nearly tripled in the postwar period.

Some observers now believe the issue will change shape. According to Columbia's Professor Neustadt, "President Johnson has taken some of the steam out of the big spending issue" by pleading economy in government.

"In the future, tax resources and a rational tax structure will be the focus for issues. Probably the biggest set of issues for the next 20 years will involve taxing and spending," he predicts.

Part of this controversy will deal with whether the states and the cities are given back money collected in federal taxes or are allotted more sources of taxation. President Johnson's aides have been looking into the possibility of returning to the states a portion of revenue collected by the federal government in some future years. Senator Goldwater has contended that proper public needs should be financed on the



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**FACE THESE ISSUES** *continued*

## Inflation is still a real issue as dollar's purchasing power declines

state and local level wherever possible.

At the same time, property values—the greatest source of local tax revenues—have declined while the public demands for urban services from transit to juvenile courts have risen.

A related factor is the political power of cities. As Professor Grassmuck points out, "Leaders of the big cities are becoming stronger than state governors. Men like Mayor Robert Wagner of New York and Mayor Jerry Cavanagh of Detroit have built strong machines over the years. Strident voices of big cities will call for more action at the national level on metropolitan transportation, housing and taxation. Federal grants to cities may well exceed aid to states."

Also related to the general issue of taxing and spending is the economic use of fiscal policy. The next President will have to decide what we can or should do with taxes as a means of stimulating or stabilizing the economy.

Another complex and painful issue for the future involves what one political scientist describes as "that large lump of things scooped up under the term poverty."

President Johnson's declaration of war on poverty identifies this as a cardinal issue, even though Congress has already enacted his legislative proposal.

The issue involves the future size of expenditures, which one political scientist says could reach "unconscionable amounts." The initial amount of nearly \$1 billion represents only one per cent of what is already being spent annually for the poor by public and private means.

The poverty issue also involves whether the money spent for the program could possibly create more poverty because tax revenues necessary to support its growth would be extracted from private business and individuals and thus discourage new production. Or if, added to the budget deficit, together with other big federal spending programs it could increase the inflation threat.

### **Is inflation real danger?**

The issue of inflation has been submerged in recent years by a se-

ries of pleasantly surprised federal pronouncements on how well the price line is being held in spite of the rising economy.

However, the purchasing power of the dollar has fallen by nearly 25 per cent since 1948. And this relatively slight upward creep in the price level could gain speed in the future. This could well come back to prominence as a national issue as it often has in the past, though it is almost unmentioned in today's political debates.

This could encourage greater governmental intervention in the workings of the collective bargaining system and elsewhere in the economy.

The government is already deep in the business of trying to resuscitate economically depressed patches of the country and rural and urban pockets of poverty where, some political scientists suggest, there may be people who will be permanently unemployed.

The Area Redevelopment Administration was set up in 1961 to provide loans and grants to distressed areas to put people to work and renew whole sections. More recent legislation aims to broaden the attack on depressed sections to the whole 10-state Appalachian region of America.

Whoever is elected, the question will become more critical as to whether or how the federal government should subsidize one section of the nation and not another and whether some of our citizens should be on permanent public dole.

Although President Johnson says his Administration wants to offer "the forgotten fifth of our people opportunities, not doles," tomorrow's job demands are often different from yesterday's skills.

As Professor Grassmuck points out, "We've been drugged with the idea that a big GNP (gross national product) is the ultimate goal for economic success. Campaign statistics suggest that the whole economy is benefiting, but actually we have prosperity that is extremely uneven. The issue will be how to get prosperity in depth."

Dean Bailey predicts that a prime issue after the election will involve the "whole relation of the govern-





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## FACE THESE ISSUES

*continued*

ment to the private sector of the economy, the question of subsidies and regulation of business. We need to determine whether our antitrust laws might not be outdated. Bigness is not an evil in itself. Government spending and borrowing policies and how they affect business decisions will require study and rethinking. A whole new economic theology may be necessary."

### **The urban challenge**

Urbanization in the U. S. is bringing some problems other than those concerned with traffic jams, juvenile delinquency, sewage disposal and air pollution.

With nearly three out of every four people in this country now residing in metropolitan areas, the small towns of the nation are "literally drying up," Dr. Kirkpatrick says.

"The towns of 10,000 population will be problem areas of the future," he predicts. Part of the reason is that often the many small farmers whom the town served have sold out to one big operator.

Prime issues concerning the young and old which have been fought over through many political administrations are aid to education and medical care for the aged. Some political scientists believe a whole new approach will be taken to change the nature of the medical care issue. A government reinsurance plan whereby the federal government would guarantee a program of medical insurance for the aged is one possibility. Or, broadening the present state-administered program is another.

Another long-standing issue which could be altered is the farm problem. Federal farm programs have cost taxpayers more than \$36 billion in the 31 years since the price-supporting Commodity Credit Corporation was set up. Annual expenses for agriculture now run over \$7 billion.

This will remain as an issue, particularly since the new wheat program is not working out. Congress passed this after last year's attempts by Agriculture Department officials to restrict surpluses with mandatory controls was roundly defeated in a referendum of farmers.

The history of federal failure together with the growing urban strength in Congress may bring the farm issue to a crux. It could be decided whether the government

should discontinue price support efforts altogether.

The nature of issues facing the next President does hang to some extent on who will be elected. "There will be a whole new set of calculations if the Administration changes," says Professor Neustadt.

However, if Senator Goldwater should be the President many of his proposals would be met by stiff opposition in Congress from union-backed and other liberal members.

On the other hand, if President Johnson stays in office, a sizable bloc of Republicans and conservative Democrats will fight against many Administration proposals.

In a broader sense the issue of public resentment of bureaucracy

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Your own company is the likeliest place to look for new managers. For ways to find good ones begin reading on page 38

---

will likely bother whoever is in the White House. As Dr. Kirkpatrick puts it:

"There are so many forms and regulations today, the poor guy who runs a gas station or the corner store needs a bookkeeper, an attorney and maybe other advisers to obey all the rules. As life becomes more complex the unhappiness and resentment and impatience grows. Small businessmen especially resent the government interference."

A basic characteristic of our political system is that we can often agree that there is a public problem but disagree as to its solution. This diversity of approach that is the federal system assures the permanence of many and hard fought issues whoever is President of the U. S.

END

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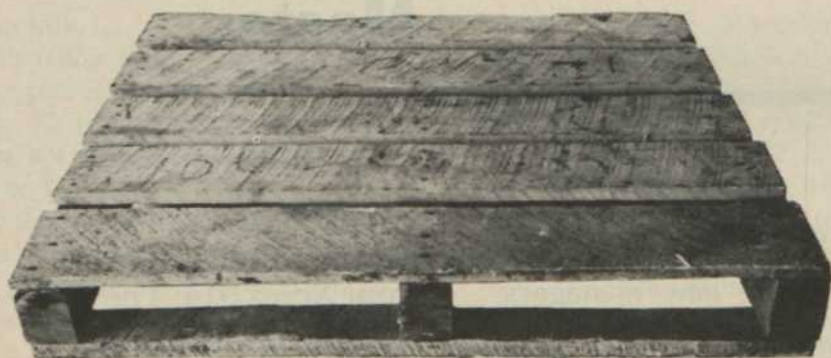
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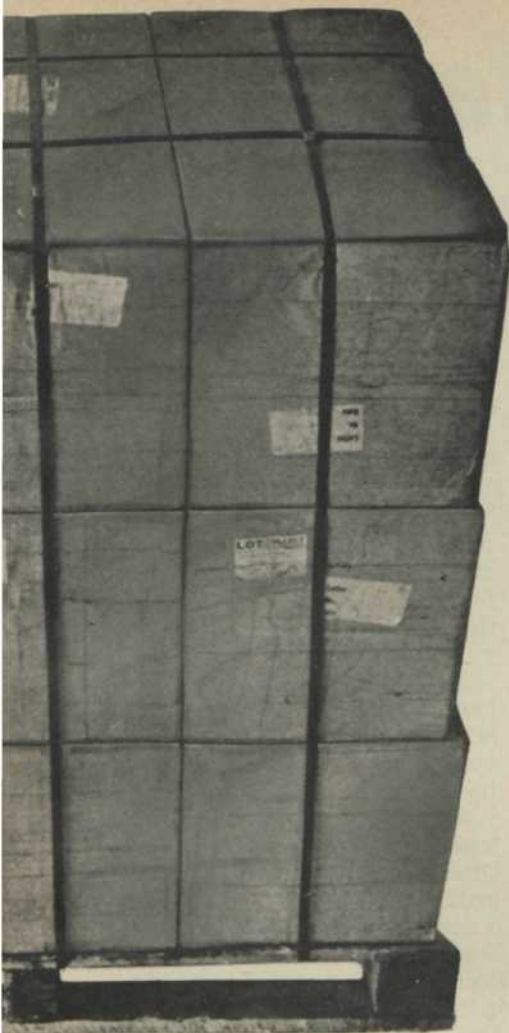


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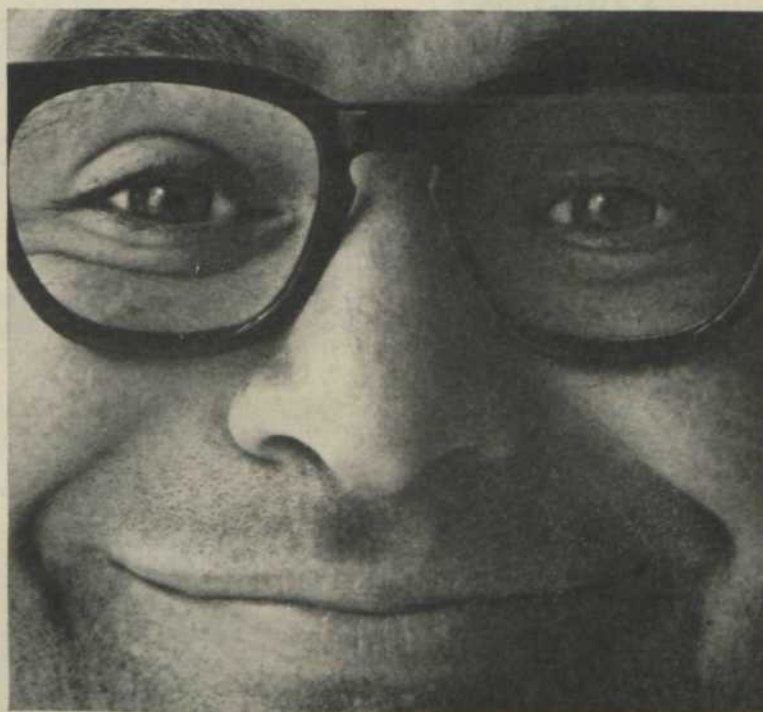


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- ▶ Strategies.
- ▶ Aesthetic and moral problems.

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A risk arises when some of the facts can only be guessed at, and you are at the mercy of the unknown. When you buy securities, for instance, there comes a point where you must pay your money and hope for the best. From that point on, there is little you can do to influence the results, and instead of you operating on the facts, they operate on you.

A strategy is called for when your decisions involve other people who have goals and hopes which may differ from your own. Here, what you do affects what they do, and what they do affects what you

do next. When you negotiate a purchase, a sale, or a contract, the facts neither sit still for you, nor do they operate independently of you. Your strategy affects them.

Finally, aesthetic and moral problems arise when you must fit your behavior to rules which are part of your own personality, where you try to do what is right.

All of us have faced each of the four types of situations many times. Often they come in a series. For instance, when you decide to start a new business or to develop a new line you face each one. First, your decision to start something new is in itself a decision to take a risk. Then as you develop the product, or work out the layout of your office, store or plant, you are essentially solving complicated puzzles. As soon as you begin to deal with people—workers, suppliers, customers—you must make strategic decisions. Finally, aesthetic judgments arise in decisions about packaging, merchandising, advertising, decorating and architecture. And, of course, you face moral judgments all the time.

Decision-making research at The University of Akron shows that each situation requires its own special skills and techniques, and that different kinds of people are good at different kinds of decision-making. Interviews with businessmen support these findings.

## Puzzle-solving

The essential skills for puzzle-solving are getting the relevant facts, knowing when you've got them and arranging them logically in your mind or on paper so that they lead you to correct conclusions. A good puzzle-solver has his goal clearly in mind, and tends to work backward from that goal, trying first one, then another path.

Donald Gottwald, Jr., president







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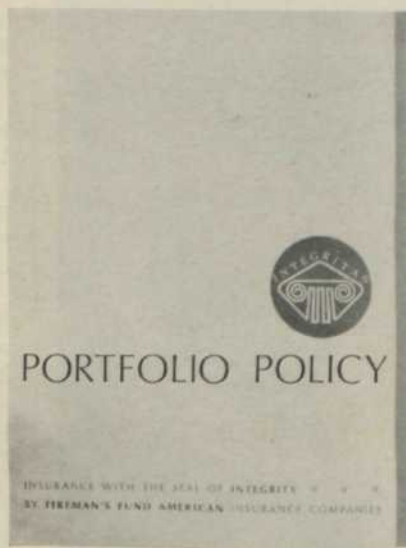
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## DECISIONS

*continued*

of the Three-G Corp., which manufactures automotive seat belts, points out:

"Most engineering problems are essentially puzzles, in which you must combine factors of cost, performance and production technique to yield an optimum design. You have to keep your goal in mind, and marshal all your facts before you can successfully solve an engineering problem. If you act before you know all that you need to know, you're liable to make costly mistakes."

When you need help in puzzle-solving, look for these characteristics:

**Clear and incisive thinking:** The man you choose must be able to think straight through to the goal and back again.

**Training and experience in the field:** He must know relevant facts when he sees them, and he must know how to put them together.

**Attention to details:** A good puzzle-solver goes in for thorough research.

He may be a plodder.

Remember that a good puzzle-solver is not necessarily good with people. He deals with facts. Give him the problem and let him work it out.

### **Risk-taking**

Risk-taking is different. For instance, complete research is not necessary. He who insists on having all the facts before he invests will never take the risk, for all of the facts aren't in until the race is run and the window is closed. That is not to say that you should ignore facts.

Rather, you must use them differently than you do when you solve a puzzle. The essential skill of the successful risk-taker is the ability to assign probabilities to future events on the basis of some of the facts and then to act on the strength of those probabilities. Risk-takers who concentrate on the desired outcome of their decision will tend to ignore the possible consequences of an undesirable outcome and hence will act rashly. On the other hand, concentration on the undesirable possibilities will yield excessive conservatism.

It is hard to find objective help in risk-taking. You must take most of your risks yourself. When you do seek help, look for an individual who knows enough about the field

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# The world's tallest horse

**or how a Hughes Helicopter can ride herd  
on a ranch for only 14¢ a mile**

**Sinton, Texas**—The Edwards-Welder Ranch complex (four ranches averaging 20,000 acres each) uses a Hughes two-place helicopter to herd cattle.

One reason: there's so much real estate to cover. Another reason: the heavy brush



Herding cattle with Hughes helicopter.

country hereabouts makes cattle hard to spot from horseback. But with a helicopter as your mount, no problem. The Hughes is a very tall horse.

## "THINK LIKE A COW"

Pilot Lewis Holben works closely with cowboys in rounding up stock. "You have to think like a cow," he says. So he *does*, knowing their favorite pastures, knowing exactly how they'll react to buzzing techniques.

This airborne roundup goes on year-round with main drives in spring (branding and inoculation) and fall (marketing time).

Edwards-Welder Ranch also uses the Hughes to spray oats, wheat, brush. Inspec-

ting a ranch takes half an hour (once half a day). Pilot Holben, who does all his Hughes maintenance, keeps it in a building next to another versatile farm machine: the tractor.

**Bakersfield, Calif.**—This rich farming center is one of many across the country where Hughes compact helicopters are remaking the crop spray picture.

Many farmers are specifying they want a Hughes helicopter spray job. How come? *Effective weed kill with one application.*

Saturation: much greater with a Hughes. Not just on top of plants but underneath, too. (The downwash of the rotor does it.) Drift: minimized. Coverage: far greater. No skimping at the edges of the field.

Other Hughes advantages: small size for close-in work... 360° visibility for pilot... ability to sit down on its haunches anywhere to direct flagmen or reload on fuel or insecticide...



2-place Hughes sprays many crops.

...icide... birdlike maneuverability to cope with any terrain.

**Eagle Lake, Texas**—Dan Thornton, of Lakeside Irrigation Co., is a one-man fan club when you get him talking about Hughes farm-and-ranch versatility.

## RICE, WOLVES, FENCES

Mr. Thornton and his trusty Hughes together survey rice fields and irrigation canals

for weeds and grasses, fix fences, hunt down wolves and wild dogs, rush in tractor parts (he lands at the dealer's parking lot).



You can check a lot of fence (and make needed repairs fast) with this 3-place Hughes.

Sometimes he'll pick up a farmer who wants to look around his own property and check crops.

**East to West Coast**—Hughes helicopters today are in use for fruit and vegetable spraying, for drying grapes, killing small hardwoods amid pine plantings, for forestry and fire patrol.

## A NUTTY KIND OF HARVESTING

Some of the uses surprise even Hughes. How about this: harvesting pecans—the downwash literally shakes ripe nuts from the trees (Texas).

Dozens of Hughes owners in farming, business, construction and other heavy industry have found that a Hughes two- or three-place helicopter can quickly recover its cost. Suggested list price for Model 200: \$24,875. Direct operating cost: 14¢ a mile. And, depending on your needs, it can easily add an extra day to your work week.

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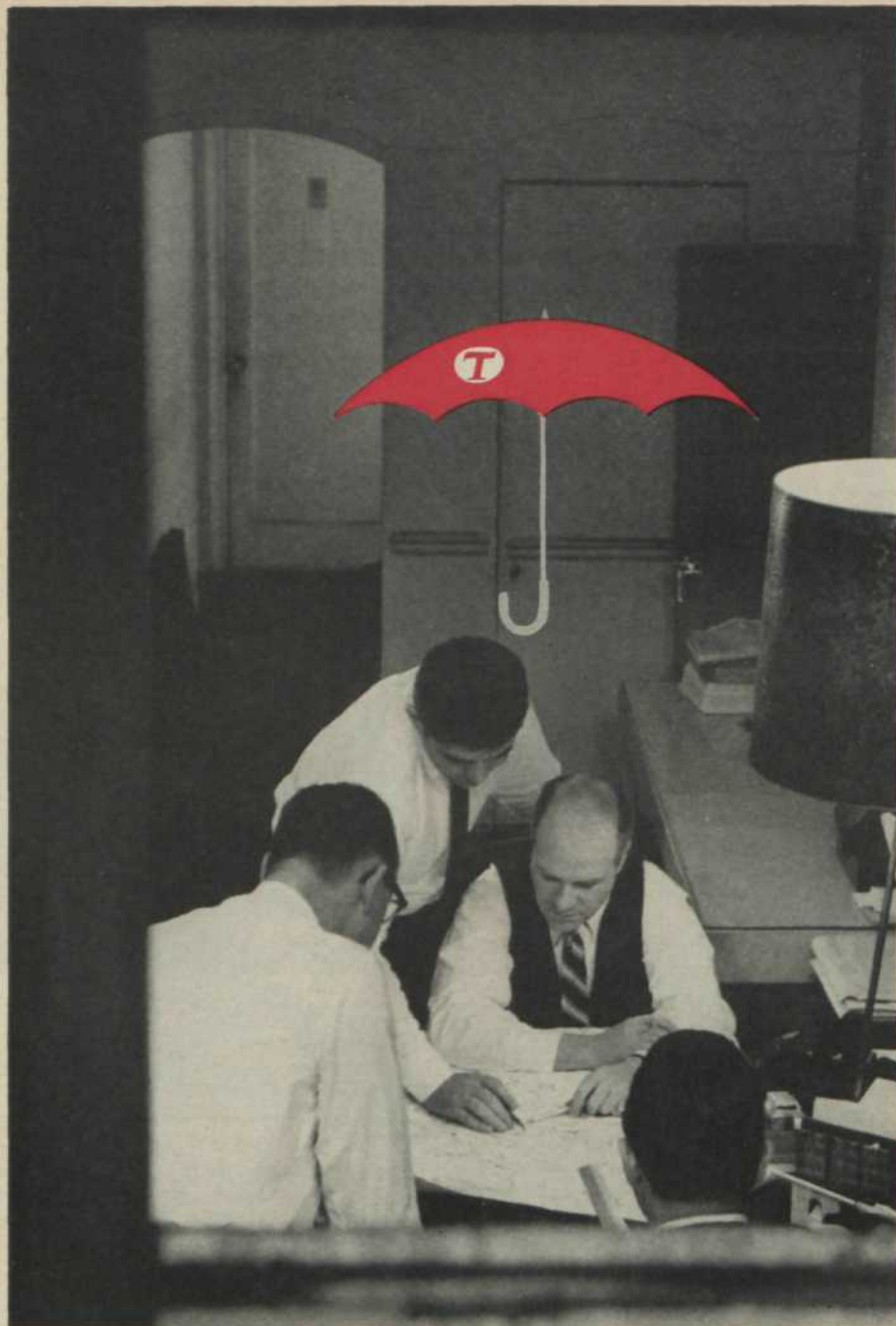
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## DECISIONS

*continued*

to assign probabilities accurately, and is not afraid to act.

### Strategic problems

Strategic decision-makers need to combine both their skills in the solving of puzzles and their skills in risk-taking, and add the gift to see themselves as others see them. The essential skill in strategy is the ability to predict how others will respond to what you do. Research shows that people who make strategic decisions as if they were solving puzzles or as if they were simply taking risks are likely to be outdone by more skilful strategic players.

When you seek help with strategic problems, turn to men who are good with people, who know how to control their own behavior in terms of others they deal with. Good salesmen are good strategists. So are good politicians.

### Aesthetic and moral decisions

Finally, aesthetic or moral judgments call for a special aesthetic or moral sense.

Samuel Scherr, president of Scherr and McDermott, Inc., industrial designers, points out: "One of the worst faults I've seen in industrial design occurs when the design problem is faced as if it were a puzzle. While it is true that no product is beautiful if it doesn't work, it is certainly not true that anything that works is beautiful. Good design requires something more, and that is the trained touch of an artist, who after years of experience knows almost instinctively when something looks right."

Moral judgments, like aesthetic ones, require long training in the fitness of things. You cannot rely simply on the facts. Rather, you must have a sense of right and wrong that guides you almost unconsciously most of the time.

On the other hand, be careful not to let aesthetic or moral judgments be your sole guide when solving puzzles, taking risks or when making strategic moves. A solution can be beautiful or even moral and still not be correct.

The wise decision-maker will know his own strengths and weaknesses, and will seek help where he needs it. But, above all, he will apply the right decision technique to the problem at hand.

—NORMAN F. WASHBURNE  
*The University of Akron*



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## SUPREME COURT

*continued from page 33*

to pack the Court. But the Court itself changed nevertheless in the face of New Deal pressure and began okaying more of President Roosevelt's economic actions. "The Court might decide to give ground some this year."

What do these trends portend in the way of coming Supreme Court action in the next few years?

### **Business rulings ahead**

"I don't think the Court is going to be particularly pro-business or pro-corporation," worries a southern law school dean who is an expert on corporate law. "You can see the way the wind blows in antitrust rulings."

In five major antitrust cases, the Supreme Court earlier this year made it more difficult for larger companies to merge. It in effect told bigger firms they would have to expand through internal growth instead of through mergers. It also recognized broad modern definitions of industrial markets recognizing that different types of products—metal, paper and glass containers, for example—all compete with each other.

Not everyone considers this trend

antibusiness, to be sure. Dean Griswold, among others, agrees with the Supreme Court thesis that restrictions on many mergers encourage competition by holding open the door to smaller businesses.

Paul Kauper, University of Michigan Law School authority on the Court, foresees further tightening of antitrust rulings. But, in accord with Frank Newman, dean of the University of California Law School at Berkeley, he expects that the Court will break little new ground on broad questions of the relationship of business to the government. This field was pretty much settled in the first half of the century with endorsement of antitrust laws and New Deal programs.

State taxation of proceeds of interstate commerce remains an area with many unclear spots with resultant pressure for Supreme Court rulings, Columbia's Mr. Wechsler observes, adding that adequate delineation of the scope of state authority may well require systematic action by Congress.

Just a few months ago, the high bench made its latest ruling in the field by giving the State of Washington authority to tax income from certain sales by General Motors Corp. This ruling was interpreted as bolstering states' taxation rights

in preference to federal authority over interstate commerce.

Congress will discuss next year new laws designed to spell out respective taxing authority in this field. And this will be tested in the Supreme Court if finally enacted.

Mr. Griswold expects a possibly important tax ruling this term when the Court decides a case involving Atlas Life Insurance Co. and the methods by which insurance companies may treat income from state and municipal securities for tax purposes. Insurance companies and officials in the tax-exempt securities field are watching this case closely.

### **Regulatory agencies**

Of even broader potential impact if it comes about would be a new Supreme Court look at the operations of the many federal bureaus which control business—the regulatory agencies.

Dean Rostow forecasts a probable rise in challenges to these agencies' authority through application of the guarantee by the federal Constitution of due process of law. The constitutional principle of federal authority over interstate commerce has been largely settled, he says. But many businessmen and others have become concerned about the means by which the agencies carry out federal regulation.

Many members of today's Court have had enough experience in and with present-day government to understand how regulation in practice can present procedural problems of constitutional dimensions, adds Mr. Wechsler.

In some specific agency problems, California's Mr. Newman expects the Court will make rulings over the next few years further clarifying Federal Power Commission authority.

"My guess is that the justices will also get to ruling on the extent to which radio and television stations can editorialize on the air," he adds.

### **Expanding authority**

The Court's heavy emphasis on the Fourteenth Amendment's due process of law provision in recent civil rights, reapportionment and other cases convinces many authorities that the justices will apply that amendment to many other fields, just as Mr. Rostow sees it being applied to regulatory agency matters. "An expansive interpretation of the Fourteenth Amendment" is the way Mr. Wechsler describes the trend.

This emphasis will bring more rulings defining the rights of accused persons in matters concerning

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### Europe's politics affect you

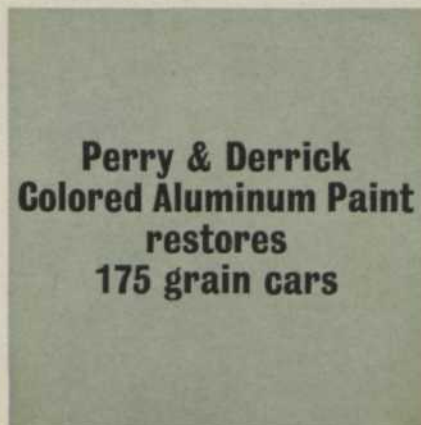
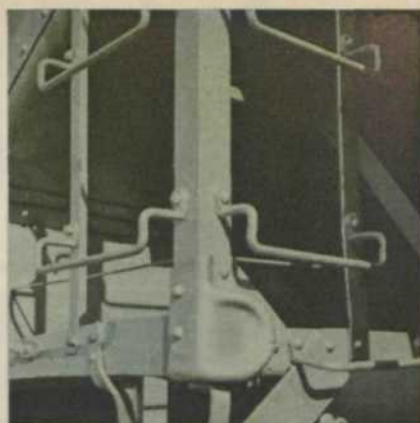
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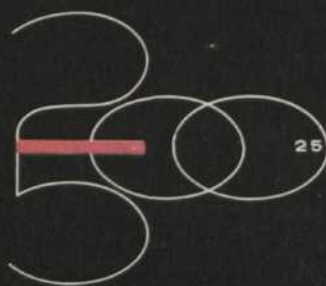
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## SUPREME COURT

*continued*

confessions to police, search and seizure, self-incrimination and right to counsel, says Professor Kauper.

"I have little question," asserts Allan F. Smith, dean of the University of Michigan Law School, "that the business of the Court for some time will involve civil rights and broad questions in protection of the individual and the indigent. There is a predilection of the Court to take these cases."

On the basis of present patterns, the justices also may soon get back into the emotionally and legally touchy field of church-state relations.

Jefferson B. Fordham, dean of the University of Pennsylvania Law School, expects present exemptions of church property from many forms of taxation will be challenged soon on grounds that the exemptions overstep constitutional separation of church and state. "It is my notion," he says, "that the Supreme Court will find it difficult to sustain the exemption, at least as applied to church property used directly for religious purposes as distinguished from investment property or property devoted to one or another welfare purpose."

Unless the justices alter their recent course, they will exert the Court's and Uncle Sam's authority even further into fields previously left to state and local governments, many of the law school leaders expect. How far this road will lead, opinions differ.

Professor Kauper sees the Court moving in the direction of applying the Fourteenth Amendment to more state laws and practices. There almost certainly will be further overruling of old cases and declaration of new doctrines, he believes. "I think there has been a steady trend in the direction of weakening state authority," he told *NATION'S BUSINESS*.

### Political involvement

"One of the most important trends is the Court's concern with the integrity of the political process," notes Mr. Mason, who sees the recent reapportionment decisions as one significant milestone. Until these decisions, reapportionment and many other matters had been shunned by the Court on grounds they are political matters which voters and their legislative representatives can best solve.

"These cases show that when you have mixed in a good number of po-

litical elements, it now doesn't deter the court from acting," says Pennsylvania's Dean Fordham. "It suggests there are other areas where the Court might not feel restrained about entering."

A next step, Mr. Wechsler suggests, could be Supreme Court rulings on voting for city and other local offices. New York City's charter detours from the one-man, one-vote principle by weighting votes so there is always at least one member of an opposing party on the city council. This arrangement might be challenged, for example. The Court refused to go along with a previous suit against the voting system but that was before its recent reapportionment rulings.

Few of the authorities figure the Supreme Court will reach very deeply into rulings on substantive state laws.

"The Court is free in telling state courts what to do about criminal procedure and other matters," observes Stanford's Mr. Gunther. "But it gives great weight to what state and national legislators do."

One type of state law that could face court scrutiny soon will be laws against interracial marriages. "I think we may see a miscegenation case this term," says Professor Mason. The Court has failed to rule directly on the constitutionality of such marriages up to now.

### Backers vs. critics

Backers of the Court see these changes in the justices' concerns as simply a reflection of the modern age with its swifter communications, larger economic units and better education.

"We are one country," declares Dean Griswold, emphasizing the "are."

"The law is never stable," argues Dean Rostow, stating a favorite theme of the legal profession. "It is a living thing. It is changing. But so is society changing."

But many worried critics fear change may be going too far and too fast. They are concerned that the Supreme Court is weakening the federal system, the freedom of citizens to run their own affairs at local levels and undermining national confidence in the essential stability and impartiality of the law.

A separate analysis comes from Dean Forrester of Cornell. He believes much of the change brought about by Court decisions has been good.

"The question which must be asked, however," he told *NATION'S BUSINESS*, "is whether the Court

is staying within the proper confines of its constitutional power in this role of social and political reformer.

"It is true that the Court must make law to some degree in the process of interpreting the law, but its primary function is to serve as an objective arbiter and to interpret and apply the law as established by the legislature and the constitution. . . .

"One of the essentials of the rule of law in a civilized government is reasonable stability and predictability in the law. The role of the Court as an impartial and reliable arbiter of the law is a vital one in the maintenance of the rule of law under the American system.

"If the people come to believe that constitutional law is nothing more than an expression of the current opinion of a voting majority of the members of the Court there is danger that acceptance of and respect for the Court will diminish and that public respect for law and order in general will suffer. The court may lose more for the nation than it has gained if its traditional role of impartial arbiter is lost by excessive self-assertion of its own views on current issues.

"The use of the judicial power as an active agent of social and political reform is endorsed by many because they approve of the reforms. . . . But the day may come when the results are not so pleasing, yet the use of the power may be fully established and in the hands of those who may abuse it."

END

## EXECUTIVE TRENDS

*continued from page 21*

Council, Inc. He says pre-1950 graduates now in managerial jobs could profit from brush-up training in the new language of applied mathematics, which has sprinted to the fore in business in recent years.

While it's important for executives to keep abreast of new techniques, the old rudiments of good management are still valid, Dr. Maynard asserts.

He advises a balanced blend of both the old and new in future programs for developing administrative skills.

• • •

**Definition of an executive** offered by a leading lecturer on management:

"An executive is a guy who walks around with a worried expression on his subordinates' faces."



# When & how to quit a job

It is not a simple matter, but these suggestions can help you

DECIDING TO QUIT a job is one of the most important steps you can take. And if you follow today's normal pattern, you probably will make such decisions more than once in the remainder of your career.

Every resignation requires thorough consideration and knowledgeable implementation.

Why?

One top manager cites this fact: You never know when you may want to work for your present company again. Therefore, it is wise to keep as good a relationship as possible with all employers.

A further reason for quitting on a friendly note is more commonly recognized: You will undoubtedly need a letter of recommendation.

Or a prospective employer, realizing that people often speak more freely than they write, may telephone your boss and ask about you. Much can be learned then about your competence, loyalty and dependability, not only through what is said, but by how it is said.

A well executed resignation can further your chances of possible re-employment. And it can aid a former employer's attempts to be objective in discussing your strengths and weaknesses with others.

It is difficult to be objective about anyone who has alienated us. Despite their best efforts, former employers are not likely to be exceptions to this rule.

Then when should you actually quit a job?

The board chairman of one of the nation's largest advertising agencies says he would advise a friend to change his job, "when he is getting no satisfaction out of it. When he has no respect for his bosses. When he can put himself ahead five or 10 years in either money or responsibility by changing jobs. Or when he sizes up the new job as an opportunity just too exciting to say 'no' to."

A Michigan management consultant and president of his own rapidly expanding firm, Harry J. Scott, says, "If you do not have a carefully detailed career plan, and most people don't, you will do well to analyze all phases of your situation as objectively and completely as possible.

"This analysis should include such questions as: Where am I at this point in my career? and, Where am I going?

"If you don't overplay the sore points of a job before you hand in your resignation, you may discover that it would be better to remain in your position, or to try to make a move within your present firm."

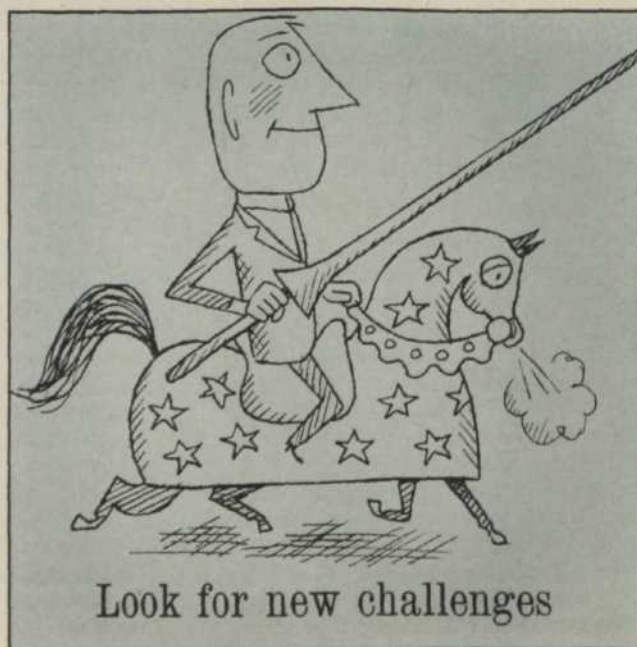
If your considered judgment requires you to leave your present job—you can best resign:

1. When you are in good standing with your firm.

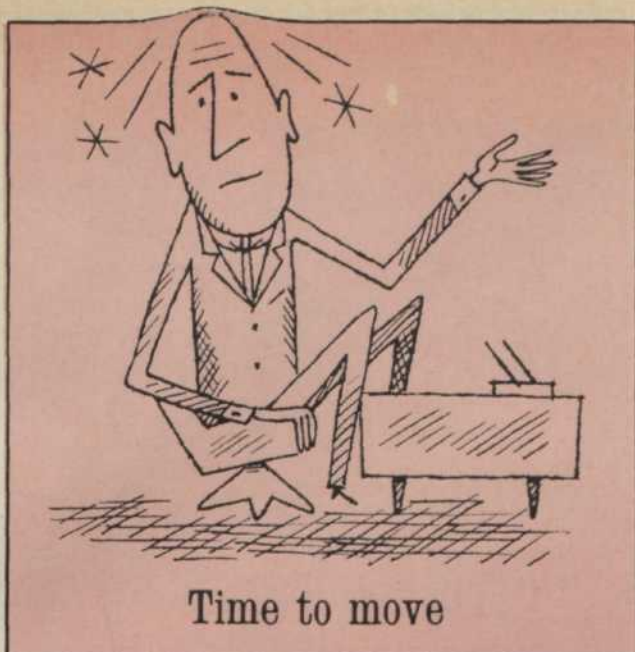
The best time to get a job is when you have a job. When you are unemployed, you are at a disadvantage in seeking employment. Lack of a regular paycheck may lower your self-confidence. And being unemployed, for whatever reason, may render your judgment and your possible value to another firm suspect. The question of why you quit the former job—or were fired from it—assumes undue importance both to you and to prospective employers.

Then, too, if you have been unemployed long, economic necessity may force you to accept a post you really don't want, or one beneath your former level.

2. When you have outgrown your position and chances for advancement are severely limited.







In this case, realistic appraisal of your abilities and of the opportunities in your present company are essential. Authorities suggest thorough consultation at such times with your boss or other responsible personnel, because only rarely can you assess the situation accurately through usual channels of information.

### 3. When you are young enough.

Harold K. Daniels, vice president for personnel relations at Parke, Davis & Co., stresses that, "at least by the time you approach 40 you should have found yourself, and have most of your job moves behind you.

"With compulsory retirement ages coming earlier and earlier, a move that might be undertaken somewhat lightly at 30 assumes much different proportions at, say, 50."

### 4. When you seriously disagree with policies of your firm.

Few employees agree with every policy. At times, though, either as a result of policy changes by the firm, or changes in personal philosophy on your part, the level of conflict may become intense. If you are unable to work efficiently, or if you have become ashamed of your company's practices, this most likely is the time for you to consider moving.

### 5. When another firm offers you a hefty salary increase.

Additional money, alone, is a questionable basis for changing jobs.

"If you make the decision to quit your job because of money only, provided your present firm has decent personnel and salary policies, and most modern concerns do," Mr. Daniels points out, "you may be surprised upon joining the new organization to find that your higher salary does not represent a true dollar increase because the latter company may not offer as many fringe benefits, bonuses, and wage increases as the former.

"Money also can be one of the most dangerous reasons for quitting.

"Sometimes a person may use the possibility of more money being offered by another company as a wedge to get a salary increase from his present employers.

"This plan seldom works to the man's advantage, and may even boomerang and cost him his job before he is ready to leave."

### 6. When you have been with a company long enough that leaving will not result in your being classified as a job-hopper.

How often you can change jobs safely within a given length of time varies by occupational field. Frequent shifts are acceptable in some professions, such as advertising and public relations. But in certain areas—banking, for example—such a record may raise serious doubts about you.

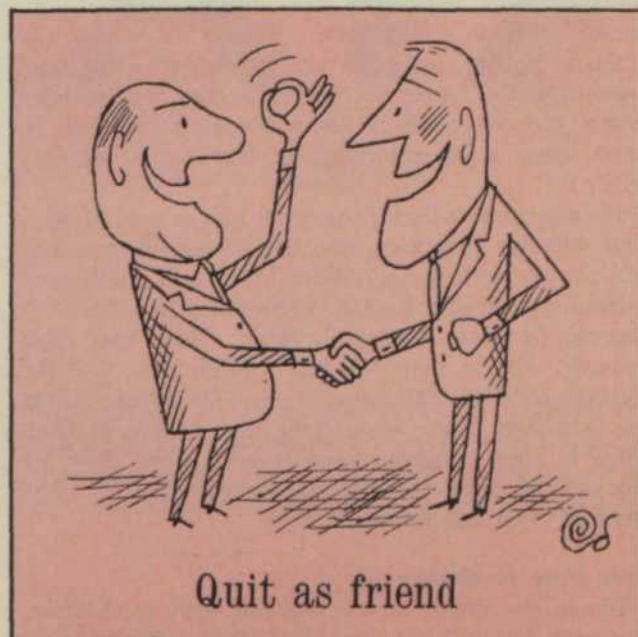
As a rule, employers are more concerned about your reasons for terminating jobs than with the exact number of moves you have made.

Frank L. Crowder, C.L.U., of Atlanta, the Cotton States Insurance Companies' director of agencies for life insurance, feels that a man may change jobs whenever a real opportunity presents itself, "as long as the move represents a step up the career ladder for him.

"But I always seriously question horizontal moves. There probably are reasons for them, but those reasons have to be extra-good."

### 7. When you feel you cannot adjust to changes introduced by a new management team.

After far-reaching changes are made by a new management, a period of tension frequently is experienced by the firm's employees. This often leads to better working conditions and other advantages once the first shock spends itself. But there are occasions when it soon becomes apparent that either you, the new management, or both, will not be able to make the necessary adjustments. Should this be





*continued*

the case, you may have little choice but to seek other employment.

### 8. When you are overly inhibited by your job.

In some instances, you may be so inhibited by circumstances surrounding your job that you cannot realize your potential. Some individuals even become too inhibited to mention their frustrations to their superiors. Such men are deprived of opportunities to develop their capacities, and perhaps, to advance. "Unfortunately," Mr. Daniels adds, "this type of individual usually sees only one way out. That of quitting his job."

### 9. When health requirements make the firm's location impossible for you or for some member of your family.

Under these conditions a move to another job and/or climate is imperative.

### **Unique conditions may prevail**

There are other situations which necessitate job shifts. Some of these depend upon special circumstances, such as a situation in which your department is so badly downgraded that your reputation will suffer through continued association with the firm, or a dilemma arising from the fact that your company does not provide adequate equipment with which to work.

Particularly in scientific fields, modern equipment can become a critically important requirement. In the recent exodus of scientists from Great Britain to the United States, lack of facilities appears to be the only reason some valued scientists have had for changing jobs.

When you cannot tolerate continued close association with your present co-workers, a job change also might be advisable.

These points presuppose that you have had no clear-cut career plan. If you have, the time will probably come when you must, for the good of your career, move to a new post.

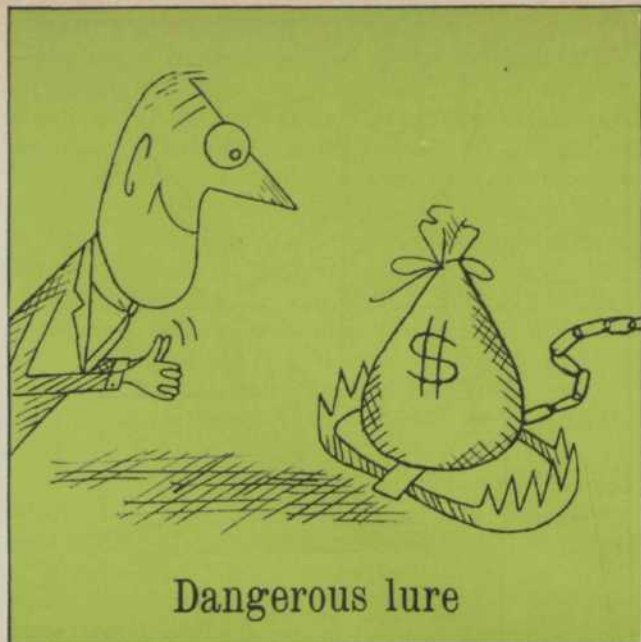
Alan Wolfley, financial vice president of the Carborundum Co., asserts: "When a man has planned career objectives, there come those times when he must leave a job regardless of how happy he may be in it."

He emphasizes that, "changing jobs is part of one's own selective processes, and the successful executive will always seek more responsibility and challenge."

Similarly, Philip L. Ash, Frederick Chusid & Co.'s Detroit division manager, states, "The two most common times that top-level executives (in the \$50,000 to \$100,000 salary range) consider changing jobs are: first, when they feel a lack of challenge in their positions; and second, when they are blocked—for whatever reasons—from further advancement in their companies."

### **Best time to change**

If you are single, or married but with no children, you probably will give little thought to the best sea-



**Dangerous lure**

son for changing jobs. But for people with families, late July and early August are the most desirable months for relocating, since your children's school year will not be interrupted.

Psychologists report that children can benefit from moving to their new community as early as possible in the summer so they can make new friends there before entering a strange school.

### **How to quit**

Many managers agonize over how to best tell their company they're leaving.

As one executive puts it, "The hardest part is mustering up the nerve to tell the boss—unless you have been waiting for a chance to kick him in the shins—that you are quitting."

Most often the procedure is begun by an employee during a discussion with his immediate superior, then with someone from the personnel department.

Occasionally, he will talk with other company officials. Only then does he write his letter of resignation.

Unfortunately, this last step sometimes is omitted. Each time that you quit a job, a letter of resignation should be written.

This is true even when everyone in your office knows that you are leaving. Proper wording of the resignation letter is not, in itself, a problem. Most good books on writing business letters include examples which can be tailored to your situation, if you feel you need a guide.

On occasions, people saddle themselves with an unnecessary burden of secrecy or deception regarding their reasons for changing jobs.

This is unfortunate. Recent extensive interviews with top-level executives, with in-company personnel men, and with management placement firms indicate that they value an individual's accurate appraisal of his position and the possibilities it offers for attaining his career objectives.

If his chances for advancement actually are not





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## WHEN & HOW TO QUIT A JOB

*continued*

good, or if other extenuating factors are involved, a resignation will not be a surprise. Reasons for leaving—such as the following—usually will be accepted with little comment by the firm he quits and the one he joins:

You want additional challenge, responsibility, recognition.

You want to broaden your background through experience in a new field which you hope will lead to the position that you ultimately desire.

Your boss is so near your own age, and in such good health, that you see little real opportunity for advancement by replacing him.

Another company has offered you such a substantial salary increase that you cannot refuse.

You either will be able to travel as much as you wish on the new job, or to travel less frequently.

Your health, or that of a family member, requires that you relocate in a different climate.

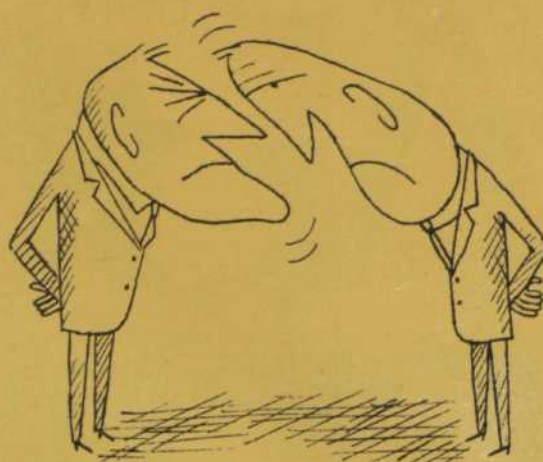
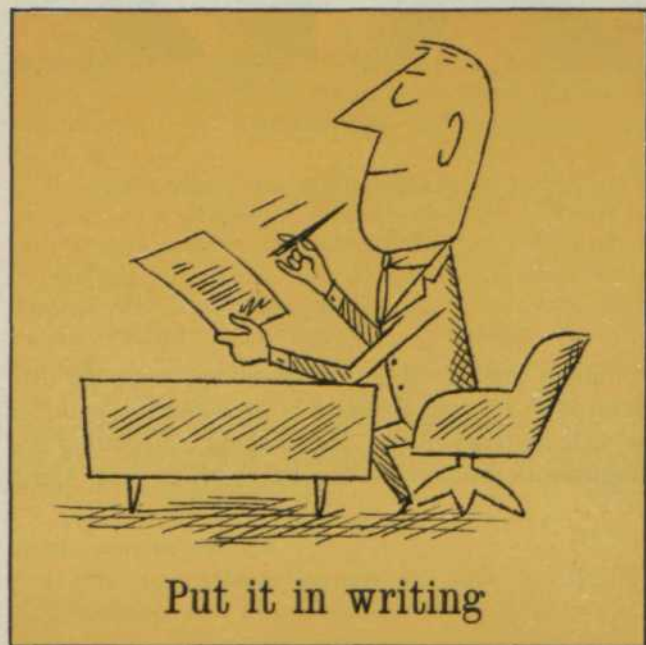
You can't get along with your boss or with your associates.

At times, personality conflicts are seized upon as all-encompassing explanations for quitting.

Excellent advice regarding this is given by Dorothy B. Mignault, executive director of the YWCA of metropolitan Detroit. She cautions, "Whenever your reason for leaving a job is a personality conflict, you must be prepared to explain the nature of the conflict. Of course, you're seldom asked to name names, but be honest and frank in discussing the situation and be willing to accept your share of the responsibility."

### **Timing your notice**

Ethically, the length of time required after giving notice may vary with your position and with company practice. But as a rule of thumb, you should



### **Personality conflict**

be prepared to remain from two weeks to 30 days, or for one full pay period.

Occasionally a company may ask that you leave sooner than you anticipated, after you serve notice. Such organizations believe that you will be of little value to them once you decide to leave and in highly competitive fields any additional information that you might learn during a lame-duck period could prove embarrassing both to you and to the company.

On the other hand, there are times when your firm will be only too glad to have you remain in a strategic position. This is especially true when you are requested to train your replacement.

Your new employers seldom will insist that you join them immediately. But should they demand your presence in a few days, your reputation probably will suffer if you do not insist upon a compromise between such extremely short notice to your former firm and the accepted full pay period.

"There are instances when you agree to join an organization at a specified time," Mr. Daniels points out, "but for some reason your old company asks you to stay on a little longer.

"In such a case, it is advisable to discuss this with the new firm and request the time, if you honestly can help the old company out of a jam. You'll usually gain approval to do this. At the same time, your sense of loyalty will show the new concern what they could expect from you in like circumstances."

### **The exit interview**

Some companies still schedule exit interviews whenever any employee leaves.

These interviews usually are requested by the personnel department. They are designed to determine: 1, why the employee is leaving; 2, his attitudes toward the company, his supervisors and his fellow workers; 3, what type of concern he is joining, and the opportunities it offers; and, 4, to alert the per-



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## WHEN & HOW TO QUIT A JOB

*continued*

sonnel department to matters of which it should be aware.

Additionally, such interviews are used as a public relations tool aimed at keeping the employee as a friend of the organization.

Requests for frank responses may pose problems for you.

If you have been happy in your position, you probably will want to provide information which could be helpful to the firm. But if you have permitted negative feelings to build up, this interview would appear to be the perfect place to vent them.

Competent personnel men would like for you to be completely candid during exit interviews and will treat all you say with utmost discretion. In some cases, nevertheless, it's wise to exercise caution in making derogatory statements about a company.

Before you speak you should weigh any negative points that occur to you. Frequently, the gist of your message can be communicated through helpful suggestions rather than accusations.

This is doubly true if your criticism could be damaging to the firm, or to your supervisors and colleagues.

Remember that the person to whom you talk probably plans to remain with the company. In some cases, he might resent extremely uncomplimentary statements about his organization. Furthermore, this very individual may someday be asked to write a letter of recommendation for you.

Fewer exit interviews are required today than in the past. Even huge organizations where they were once common now omit them, according to Roberto Beccardi, an engineer who recently left a major automobile company.

After resigning to return to South America, he said, "Just before I left, I was asked only if I was

going to work for another automotive firm, and if I had turned in my company-owned equipment and pass . . . and that was that."

### **Your personal outlook**

Few people, especially when they are deciding to quit a job, consider the possibility that they might face rather severe psychological repercussions.

For instance, handling confidential information gained while employed by a firm may become a problem.

Most people agree that betrayal of the company's confidences is highly unwise. Yet several executives who have given the question prolonged consideration take a nearly opposite view. They ask, How can you not know what you do know, and, in some cases aren't you hired for the sum total of your knowledge about your field—confidential or otherwise?

Here, as in many other situations, each person must make his own decision and act accordingly.

But apart from ethical considerations, leaving a job may shock you into realizing how important a part of your life your former position has been.

Many agree with Frank Crowder, who feels that, "perhaps the most unpleasant part of quitting a job is actually breaking away from your friends at the company."

You also may find it hard to leave surroundings which have become familiar. This can be as true of uncomfortable conditions, as of those which were enjoyable. If you are security-minded and considered your old job a sure thing, you may have difficulty in adapting to a new position in which you are not so secure.

In this regard, Miss Mignault stresses her conviction that, "the only security in the world today is inner security—the kind that comes from knowing that you've given your best efforts to whatever you've tackled."

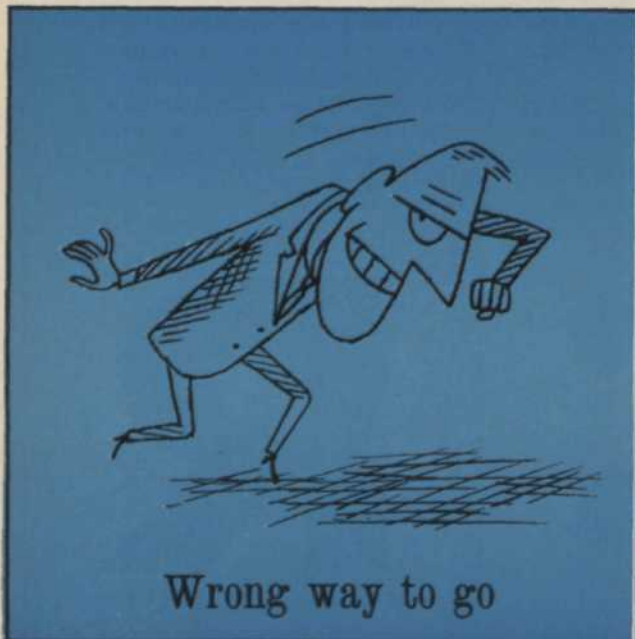
Leaving a position may allow you to breathe a sigh of relief and feel that you are your own man again. If so, you probably will have little doubt regarding the wisdom of your decision.

But if your resignation constitutes an admission of a mistake in judgment when you joined the company, or an out-and-out defeat; that relief may be tinged with considerable regret for things done or not done during your tenure there. Also, guilt feelings may arise if you know that you did not do as good a job as you should have.

Such feelings are hard to admit, even to oneself. But many psychologists believe that the sooner you can admit them the sooner you can learn what is causing them. This will permit you to face the actual problems instead of evading them. By learning to solve such difficulties, you can build up a repertoire of adequate response patterns which then can be used when similar situations arise.

—C. R. SHELTON and MELBA COLGROVE

**REPRINTS** of "When and How to Quit a Job" may be obtained for 30 cents a copy, \$14 per 100, or \$120 per 1,000 postpaid from *Nation's Business*, 1615 H Street, N. W., Washington, D. C. 20006. Please enclose remittance with order.







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## NEW LEADERS

continued from page 39

the surface evidence of good performance. Remember that the candidate in his new position will have broader responsibilities. Consider him in the light of these responsibilities. Check his qualifications thoroughly. Don't be deceived by personality. Consider his management skills.

The techniques and procedures for conducting an evaluation vary from company to company. They do not need to be complicated. In some companies the evaluation consists merely of a management committee getting together and discussing the potential of other managers under their direction.

Other companies use a forced ranking system. Ranking has merit in that it forces an executive to distinguish among his better men. To be done well, it requires a penetrating analysis and comparison of the personal and performance characteristics of each manager. It has a decided disadvantage in that standards of comparison are difficult to establish. Managers in upper level assignments have responsibilities that often defy comparison. Moreover, the ability to assume greater responsibility often varies with the position. It is the combination of experience, personality and managerial skill that determines a man's suitability for a given position. The man who is ranked number one might be the best man in one case and not in another.

In most companies a more refined system is in operation. Usually it involves the completion of appraisal forms for each member of the management group. The forms are completed by the superior and, in many instances, are reviewed by one or two other men in higher levels to inject a greater degree of objectivity.

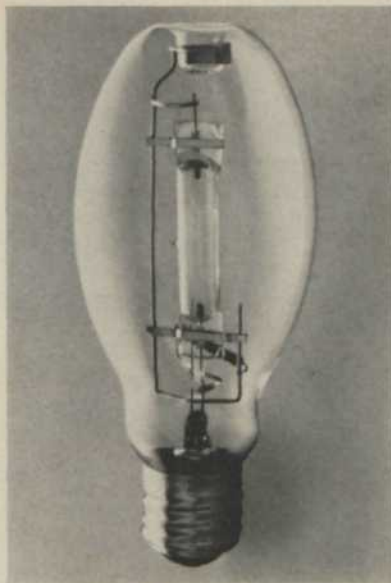
The evaluation is usually directed to a review of background and experience; personal characteristics; performance, and potential for advancement.

Background and experience data should be available on all managers, particularly those with high potential. This information can be obtained either from the employment application form, or a personal history record which is completed by each manager and brought up to date periodically.

A recent development in compiling background and experience



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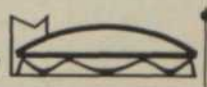
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## NEW LEADERS

continued

data has been made possible through the programing of personnel information into electronic data processing equipment.

In one of the most successful programs for recording this information, International Minerals and Chemical Corp. obtains complete information on each employee at the time of employment on a personnel questionnaire. The information is then put on tape and is readily available when an inside search is being conducted. The information is periodically updated through the completion of supplemental questionnaires.

Other companies program personnel data into the computer directly from the application form.

### Personal characteristics

Personal characteristics, as they have a bearing on performance and potential, can be of critical importance in an evaluation. But too many evaluations are based on personal characteristics alone.

In recent years there has been a trend away from appraisals based on personal attributes for several

good reasons. For one thing, it is difficult for the average layman to judge a man on personal factors.

Many appraisal forms have included such factors as personality and mental alertness. It would take a highly skilled psychologist to do justice to an appraisal of these factors and, yet, many managers have been placed in the awkward position of not only judging their subordinates on these factors, but counseling with them as well. The results have been inadequate and frequently meaningless.

### Performance

Today, more and more companies are basing their appraisals on job performance. Behind this trend is the realization that an analysis of performance will uncover any personality-related problems which have a bearing on performance.

In other words, performance that doesn't measure up may be traced to such factors as poor judgment, lack of initiative and so forth. Performance-related appraisals are usually more acceptable to line operating personnel because they speak the language of the business. They relate to the planning, organizing and operating activities. They talk in terms of specific objectives

and can be reviewed verbally with subordinates more constructively and with less resistance and greater acceptance.

### Potential for advancement

The evaluation of potential should be considered in the light of the man who is being appraised. Many people are relatively happy with the status quo. Their development

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The President we elect this month will find many unresolved issues awaiting his attention. For an informed analysis of what these issues are, see the article which begins on page 40

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should be directed toward greater achievement in their present jobs. For others who have an interest in advancing to higher level jobs and have the capacity, an evaluation of management potential is more appropriate. More and more companies today are conducting their management potential surveys in two steps:

A general indication of management potential is given at the time of the performance appraisal.

On a more selective basis, a detailed evaluation of potential is obtained on those men who are interested in and qualify for further promotion.


One company looks at the potential of all management members when it evaluates performance, but it concentrates attention on approximately five per cent of its total management group for its most penetrating review of advancement potential. To quote from its executive development manual:

"Emphasis is placed on the younger, more flexible men on whom we can build and who best fulfill the following requirements:

"a. Age 30 to 45, with chief interest centering in the 35-40 age group.

"b. Five years' service with the company, except in unusual cases

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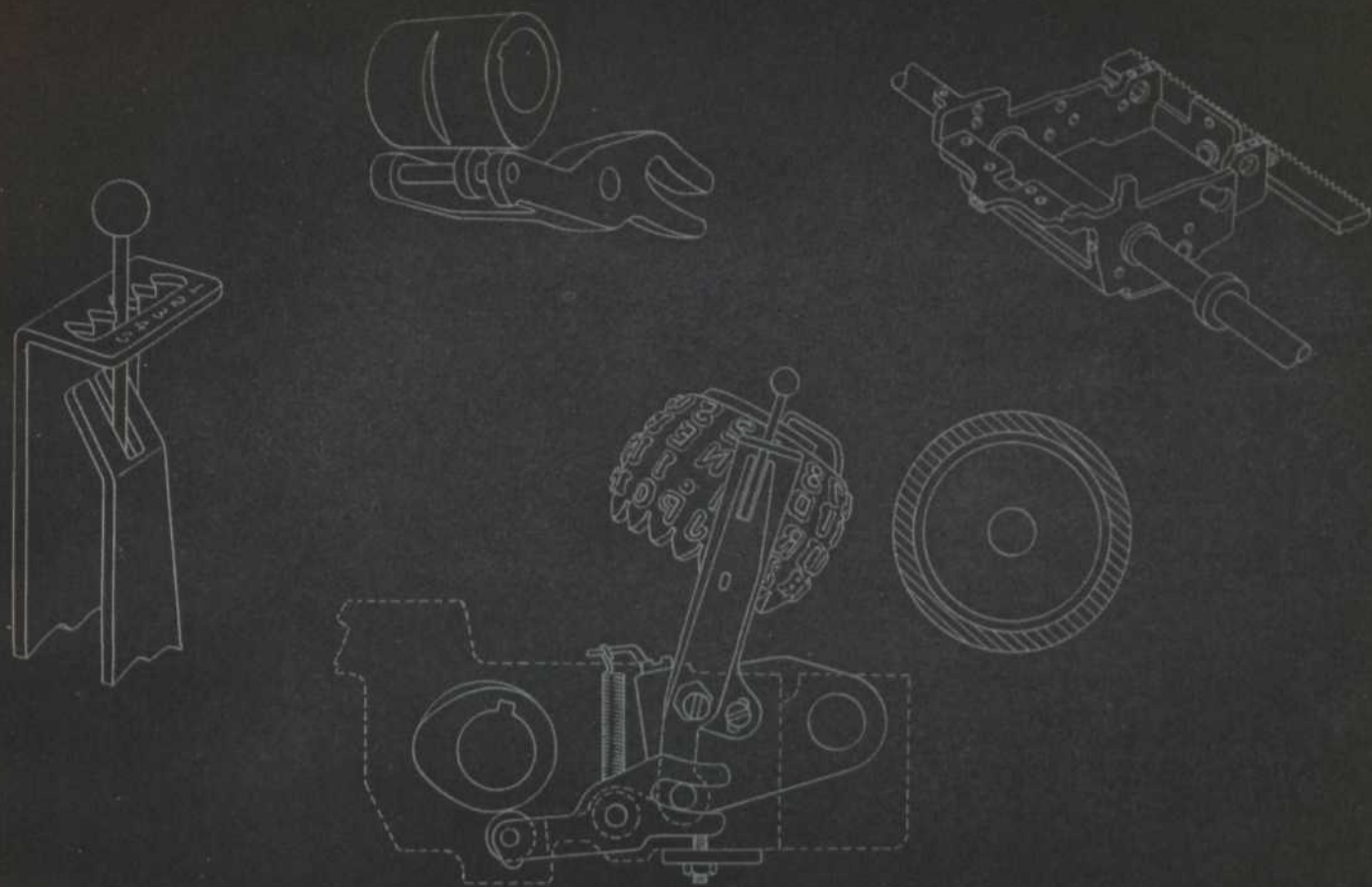
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## NEW LEADERS

continued

where special qualifications are well known to those in higher management echelons.

"c. Capacity to handle a general management assignment (division or subdivision manager's position) or major staff responsibility (industrial relations manager or controller) or the capacity to advance at least three steps beyond the present level.

"d. Presently occupy positions below the level of subdivision manager.

"e. Possess a high degree of leadership, intelligence, initiative and personality qualifications."

United Airlines uses a system in which every supervisor is interviewed to see if he has subordinates who might be candidates for promotion. His statements and the reactions about each of his employees are collected on an interview form. An independent report obtained through individual interviews is also obtained from the supervisor at the next higher level and a third evaluation is made by the personnel development staff.

FMC Corp. develops its evaluation of management potential through the completion of an Executive Capabilities Analysis. The basis for this information is a continuing detailed performance evaluation of each manager's future advancement capacity.

### How to do it

The inventory of executive talent which is developed through an appraisal system provides a ready source to which management can turn as vacancies occur. Some companies, however, carry the planning of executive requirements one step further. On the basis of appraisal information, they match the names of executives to the specific positions for which they seem to have potential. This is done in a variety of ways.

Some companies transfer the appraisal information to organization charts in which number one and, in some cases, number two or number three replacements are designated. Color coding is used to indicate levels of performance and potential.

A more flexible approach is sometimes taken by companies which

merely list by executive job category the most promising replacement possibilities.

Other companies find that replacement tables and organization charts require more time and administrative effort than is warranted by the number of vacancies which occur. For this reason, consideration should be given to the volume of replacements which are expected before charts or replacement tables are introduced as a part of the executive staffing procedure. In a company with relatively low turnover, once every three or even every five years may be sufficient for a replacement analysis. Some companies develop such charts only when there appears to be a question of adequate backup personnel.

In well over half the companies surveyed, a staff department such as personnel, organization planning, or executive development coordinates the search activity, frequently drawing on a master file of qualified candidates to develop a list of recommendations. In a smaller number of companies, the executive who has the vacancy conducts his own search, drawing at option on personnel records and internal references.

Two companies reported that the search for candidates was handled by a selection committee.

Central coordination of inside searches offers better access to all men in the organization who are qualified, regardless of divisional or functional lines. The use of the central clearinghouse is usually optional. Sometimes it is so evident that a particular man is far and away the best candidate for a job that it is a waste of time to go through the procedure of checking elsewhere.

A central operation, however, opens up the opportunity to look at candidates who may not be known to the executive who has an opening.

Whether you use such a staff organization or search for executive talent on your own in your company, it is important to remember that there are other companies and executive recruiting organizations standing by, ready to recognize and attract the talent you overlook. **END**

**REPRINTS** of "Where to Find New Leaders" may be obtained for 30 cents a copy, \$14 per 100, or \$120 per 1,000 postpaid from Nation's Business, 1615 H St. N.W., Washington, D. C. 20006. Please enclose remittance.

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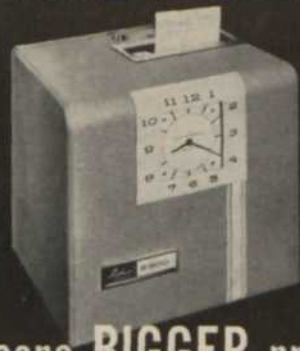


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# MORE TARIFF CUTS COMING

## First steps toward success are likely next summer

THE FIRST significant progress in current trade negotiations in Geneva is not likely to come before mid-1965.

Whatever ultimately happens, the outcome will be important to all kinds and sizes of American business in two ways. First is the direct impact that reductions in tariffs and other trade barriers will have on the profit and loss of those who buy or sell goods abroad, or who compete with foreign products. Second is the effect that trade liberalization will have on businessmen as citizens of a country that is vitally concerned over the economic strength of its friends and allies.

Lower tariffs will help many American businesses. Export industries will find it easier to sell abroad, as will farmers if the U. S. is able to insist that agricultural products be included in the negotiations. Other industries will feel the buoyancy of prosperity in the export industries. Production will increase. So will employment.

A smaller number of firms and workers will feel the harmful effect of increased import competition. A few firms may be forced out of business and a small number of workers may lose their jobs.

American industry, agriculture and business have much more to gain from liberalized trade than they stand to lose.

Because strength is necessary for

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HOWARD S. PIQUET, the author, is a specialist in foreign trade affairs at the Library of Congress. The views expressed here are his own and are not to be attributed to the Library of Congress.

survival, the United States has a direct interest in the economic strength of its friends and allies. The significance of foreign trade policy becomes clear when it is realized how important foreign trade is to developed and developing countries alike.

The prospect that tariff cuts which will be made in Geneva will be deep enough and broad enough to cause major adjustments in the economy of the United States is remote.

The difficulties that American negotiators are having in trying to find a basis for agreement with the European Economic Community for reducing tariffs seem unlikely to lessen. Sharply rising prices and wages in Italy and France are intensifying the difficulties of harmonizing the economies of the six countries comprising the EEC and, until they are harmonized, it will be most difficult for them to negotiate, as a unit, with other countries.

There are many political faces to be saved, however, and it is unrealistic to expect that discussions will be allowed to collapse. It is probable that enough tariffs will be reduced to give the appearance of success, regardless of substantive results.

Because 1964 is a presidential election year in the U. S. and because a number of other countries are to hold elections also, little progress can be expected before the middle of next year.

There is reason to believe that the tariff cuts that will be made will be much like those made during the 28 years of tariff-cutting under the old Trade Agreements Program. They

probably will not have much expansionary effect on trade because they will not apply to highly competitive merchandise. Neither will they injure many domestic producers.

Yet, these are the very cuts that will have to be made if there is to be a long-range, significant expansion of international trade.

These discussions offer a golden opportunity to the world's principal trading countries. If they behave traditionally and seek, through compromise, to pacify parochial-minded groups in all countries, little more will emerge than a formal tariff-cutting exercise. If, however, they place long-run national interest ahead of short-run local interests, they can break the chains that shackle trade and enable it to play its full international economic role. This is particularly true of the U. S. because of its balance-of-payments problems.

### Trade blocks communism

Since World War II the United States has been convinced that its own interests call for strength in the Free World and for a strong Western Europe, in particular.

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## TARIFF CUTS

*continued*

of Norway and Benelux, for example, equals more than half of their respective national products. For the United Kingdom the ratio is almost 30 per cent. U. S. trade, on the other hand, accounts for less than seven per cent of total national product, not because foreign trade is small, but because our national product is huge. In fact, the foreign trade of the United States is almost equal to the combined trade of the six EEC countries with all non-member countries.

The underdeveloped countries are heavily dependent upon markets in the economically developed countries for their new manufactures, as well as for the primary products upon which they have depended in the past. It makes little sense for the U. S. and other developed countries to give technical and economic assistance to these countries and then be unwilling to buy their products. The underdeveloped countries must export if they are to earn the foreign exchange with which to buy the equipment they urgently need.

Japan, too, needs markets, not because she is underdeveloped—far from it—but because she is heavily dependent upon foreign markets for the continuation of her prosperity. Here strategic considerations are paramount because of Japan's proximity to the Soviet Union and Red China.

These are the reasons why a liberal U. S. foreign trade policy is so important to other countries, and why it is the keystone of U. S. foreign policy.

### Tariffs already cut

Since 1934, United States trade policy has been pointed toward the objective of reducing trade barriers throughout the Free World under the Trade Agreements Program.

Tariffs have been reduced on a selective basis, those being reduced the most that apply to products where competition from imports is least sensitive.

By 1961 the average level of U. S. tariffs was 12 per cent, compared with 47 per cent in 1934. Not all of the reduction can be attributed to tariff-cutting, however, because other forces also had an effect. This was the period when we were emerging from depression. America and other countries were becoming prosperous again, and prices were rising. The United

States Tariff Commission estimated that approximately one half of the reduction in the average tariff level between 1934 and 1953 could be attributed to reductions of tariffs under the Trade Agreements Program, and the other half to rising prices which had the effect of reducing the ad valorem equivalents of tariffs which are levied on the basis of so much per yard, pound or other unit of physical measurement.

### Import restrictions

The fact that tariff reductions have been made on a selective basis means that, even though the average level of the U. S. tariff is now much lower than before, the spread between individual rates is greater. It is comparable to the effects of erosion on a hillside. Rains wash away much of the mud, leaving the larger rocks standing in bolder relief than before.

Some of our tariffs are still high. Some 150 import classifications are subject to tariffs of 50 per cent or higher. A number are subject to rates in excess of 100 per cent, including pistols and revolvers, certain woolen fabrics, enameled gold watch cases and concentrated lemon juice.

Another 500 classifications are subject to rates ranging between 30 per cent and 50 per cent. In this group are: watches and parts, dolls, men's woolen suits, woolen and leather gloves, Christmas tree ornaments, safety pins, cigaret lighters, linen towels, onions, shelled peanuts, cotton corduroy, cotton rugs and canned tuna fish.

Tariffs in more than 400 categories (of a total of some 5,000) have not been reduced at all during 28 years of tariff-cutting activity.

As one would expect, these categories include a number of products in areas where import competition is keen. Among such products are: clinical thermometers, lace braids for hats, parts for air rifles, fish sticks, sardines, Spanish cedar plywood, mirrors for optical purposes and sew-on snap fasteners.

The United States also maintains quantitative restrictions against imports of a number of agricultural products, under authority of the Agricultural Adjustment Act. They have been imposed to implement domestic agricultural support programs and are applicable to imports of sugar, butter, cheese, dried milk, wheat and wheat flour, peanuts and raw cotton.

Also in effect are several non-agricultural import quotas, applica-



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NB-4

## TARIFF CUTS

*continued*

ble to lead, zinc, petroleum and cotton textiles.

The U. S. is not the only important country that maintains restrictive trade barriers. The fact is that practically all countries are guilty of restricting imports, whether to protect their monetary reserves and balance of payments positions, to safeguard agricultural support programs or in response to pressures from various producing groups.

### Bars against farm products

Restrictions against American agricultural products are particularly troublesome. The EEC is in the process of arriving at a formula for a common agricultural policy among the six countries themselves. The problem is rendered difficult by the fact that grains are produced considerably cheaper in France than in Germany.

The EEC is imposing a system of variable levies against imports of a number of agricultural products from nonmember countries. Under the arrangement, American exports of grain to the Common Market countries will be subject to import levies equal to the difference between prices within the Common Market area and prices in the U. S. This is an even more effective formula, as far as restriction of imports is concerned, than the cost-equalization provision of the U. S. Tariff Act of 1930 because the calculation of difference between domestic price and foreign price will be changed with every change in price in either area.

The U. S. is greatly concerned over agricultural protectionism on the part of the EEC because \$1.1 billion of its total exports of \$4 billion to the EEC countries consists of agricultural products. The pressures in Congress for relaxation of foreign barriers to U. S. agricultural exports have been very great, and the Administration realizes the serious political consequences of failure to secure larger markets for American agriculture. For this reason, the U. S. insists that negotiation be on an across-the-board basis, including farm products.

### Where to cut

The tariffs that need to be cut the most are the ones that have not been touched at all or which have been cut only moderately since 1934. If this is done it would sig-

nalize abandonment of the no-injury philosophy which has been embodied in all recent U. S. trade legislation.

The reason why many tariffs remain untouched after 28 years of tariff-cutting activity is because they are the ones that most effectively restrain imports. When tariff cuts loom on the horizon, these are the tariffs that command full protectionist support. Although all tariffs involve some degree of protection, these are the ones that prevent international economic adjustments from taking place.

By the same reasoning, the cuts that will be most meaningful to the U. S. in its negotiations with the EEC and other countries will be in those tariffs and other trade barriers that are most restrictive of our exports. This is why we insist that agricultural products be included in the negotiations at Geneva. It is unreasonable to expect European and other countries to be willing to make meaningful concessions unless we are willing to do so, too. In the past there has been much window-dressing in tariff negotiation.

The battle cry of the Administration when the Trade Expansion Act was under discussion in 1962 was the need for power to reduce all tariffs across the board by 50 per cent.

That power has been granted, and it remains to be seen whether the government will exercise this power. The fact that the power has been written into law does not necessarily mean that it will be fully used.

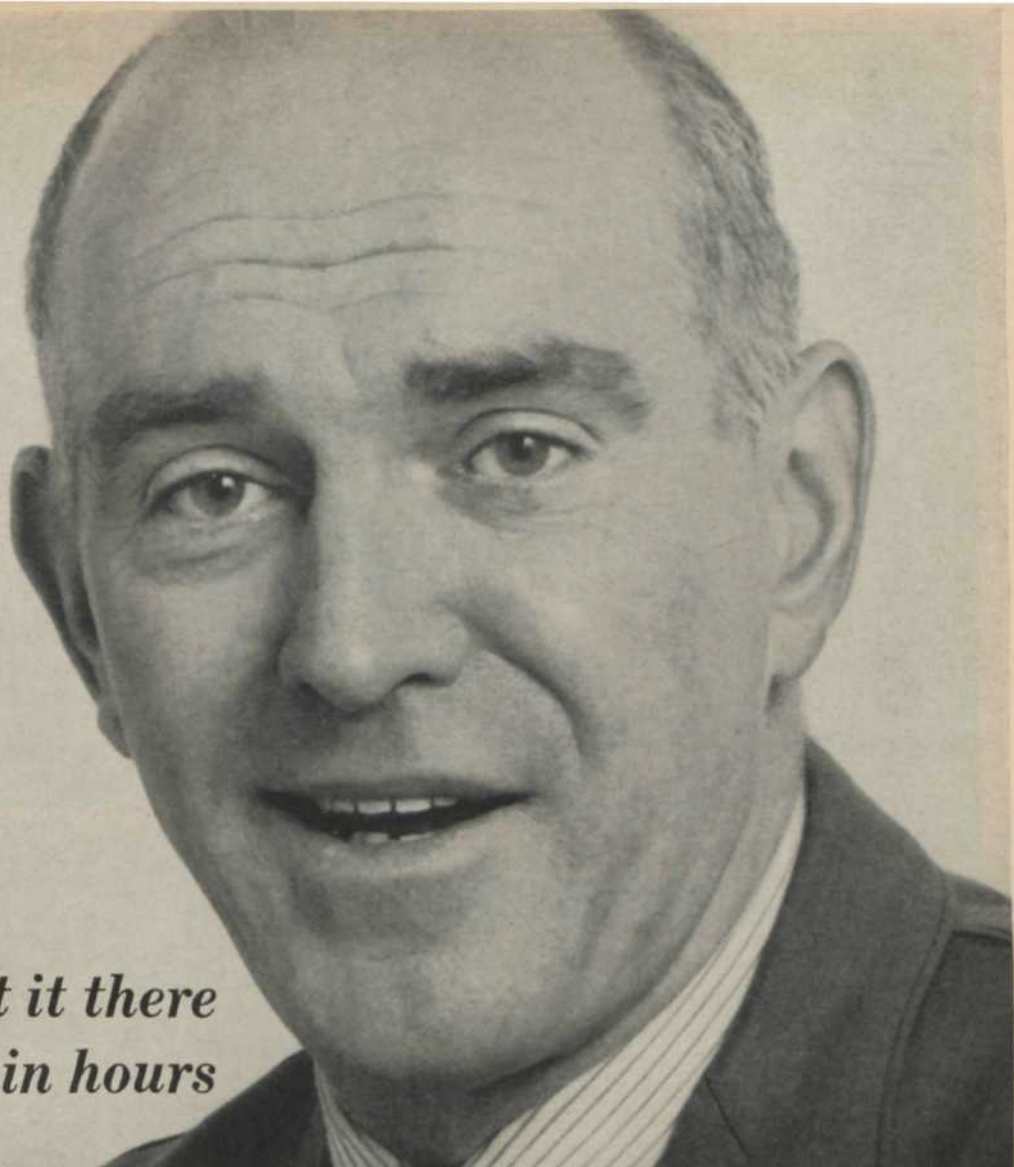
The new law provides what is known as a reserve list. It requires that certain products be reserved from negotiation and gives the President power to add such other products to the list as he may choose.

Automatically reserved are products regarding which there have been findings of injury under the escape clause, or regarding which action has been taken under the national security provision.

There is no way of knowing, at this time, how long a reserve list the U. S. will present at Geneva. Extended hearings have been held with a view to determining which products should be reserved from negotiation, but the names of the products that have been recommended for inclusion are secret.

It was originally agreed that the U. S. and other negotiating countries would submit their reserve lists to each other on Sept. 10. But the





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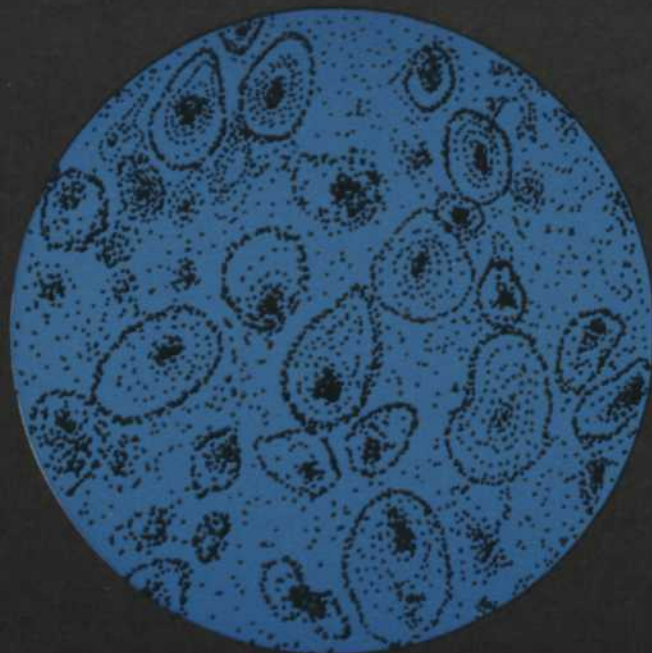
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## TARIFF CUTS

*continued*

date was advanced to Nov. 16, and whether lists actually will be exchanged at that time depends upon the degree of progress that is made between now and then in agreement regarding rules for negotiation.

### **Marginal impact of cuts**

Even a full 50 per cent, across-the-board tariff cut—with no reserve list—would not rock the giant U.S. economy. With few exceptions the industries, firms and workers that would be adversely affected by increased imports would be marginal. They are engaged in lines of activity that are least suited to the American economic environment, often because of high labor costs. For the most part, they are the industries that have sought protection against import competition via the escape clause. These include: clinical thermometers, umbrella frames, stainless steel table flatware, china tableware, hand-blown glassware, spring clothespins, safety pins, straight pins, bicycles, watches, scissors and shears and animal glue.

Authoritative studies indicate that somewhere between 100,000 and 250,000 of the nation's 70 million workers are protected in their existing jobs by tariffs. It is unlikely that imports would increase by more than \$1 billion if all tariffs were reduced 50 per cent.

Nevertheless, the firms and workers that would be adversely affected by increased imports would have to make adjustments, in many cases by transferring to other lines.

To facilitate such adjustment the Trade Expansion Act includes provisions for adjustment assistance. It is too early to judge whether these new provisions of law will be operable because firms and workers have not been able to show that they have been injured by past tariff reductions.

As a further means for facilitating increased imports, the law requires that all tariff reductions made under its authority must be phased over a period of not less than five years. Students of international trade and tariffs agree that the longer the period of time allowed in which to make adjustments, the deeper the tariff cuts that can be made.

### **Meaningful reductions**

The domestic pressures that restrain a country's negotiators at the





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## TARIFF CUTS

continued

negotiating table inevitably collide with the domestic pressures that restrain the negotiators of other countries. The most desirable negotiating is that which brings into alignment the national interests of all the negotiating countries in a way that satisfies each of the home governments that the final product is in its own national interest.

It is not easy to know when an argument presented by negotiators representing a given country is

legitimately in that country's national interest and when it is presented for tactical reasons only.

Such an argument is that which has been made by the EEC negotiators, largely under French leadership, and which has come to be known as the disparities issue.

Although the average level of the U. S. tariff is close to that of the EEC—in the neighborhood of 12 to 14 per cent—individual tariffs of the U. S. vary much more from the average than do those of the EEC. The French argue that, because of this disparity, a 50 per cent reduction in a relatively high U. S. tariff

rate would not be as meaningful as a 50 per cent reduction in an already-low EEC tariff.

From the U. S. point of view, of course, only by going to zero, on a reciprocal basis, can EEC discrimination against U. S. exports, brought about by the new common external tariff, be eliminated.

Whether the argument presented by the EEC with respect to tariff disparities is genuine, or tactical, the fact remains that the U. S. negotiating position would be considerably stronger if American negotiators had authority to go to zero, as had been proposed with respect to many commodities by the original Administration trade expansion proposal.

In fact, Sen. Paul Douglas of Illinois had introduced an amendment to the trade expansion bill which would have given the President power to eliminate tariffs altogether on goods included in larger statistical categories in which exports by the United States, the EEC and the United Kingdom, together, account for 80 per cent or more of total Free World exports. The original Administration bill had contained such a provision, but was so worded as to deny such authority to the President unless the United Kingdom joined the EEC.

The Douglas amendment was adopted by the Senate but was rejected by the House of Representatives, largely because the Administration did not make a strong fight for it.

Whether the disparity issue is genuine, or whether it has been introduced for tactical reasons, it is causing considerable difficulty in Geneva. It is second in importance only to the issue of EEC agricultural tariffs.

### Future prospects

The discussions in Geneva could be the most significant event on the international trade area in this century.

Everything depends upon the good will of the negotiating countries in arriving at agreement with each other and upon willingness of the more important trading nations to subordinate local interests to larger national interests.

The way has been paved. But no Administration can advance any farther than political forces permit. The President can do much, however, in the way of enlightening the public to an appreciation of its world responsibilities and the opportunities that lie ahead. **END**

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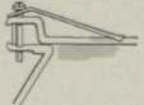
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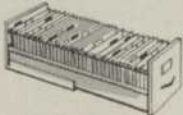
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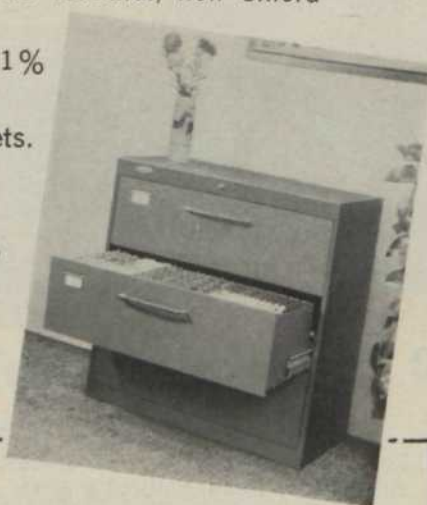
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## OPINION

*continued from page 12*

the desire to be independent and to shun discipline, is understandable. Without the independent vote, indeed, our campaigns would lose much of their meaning.

But underlying this—if our party system is not to deteriorate—there must be a solid core of loyalty to party principle and of belief in the party doctrine.

The vote that is cast all along the line for the Republican or Democratic candidates is not only adding strength to individuals; it is reinforcing the structure of our political life.

It may be pleasant to exercise a random and personal choice, but there are also values—perhaps the most important values of all—standing on principle and keeping the big picture in view.

LOUIS A. THEISEN  
President  
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## Thoughts on peace

The headlining of the admirable article "Peace Trend Will Bring Better Business" [June] is much to be applauded.

There are two fundamental and important reasons why businessmen as citizens should concern themselves with the war-peace problem and its economic impact on our society. First, if we fail to solve it, we prove by default what the communists have been saying all along about us. Second, if we fail to solve it, there is little point in solving any of the other myriad problems that beset us—they will all be solved for us.

LAURENCE DAWSON  
Director  
Producer and editorial services  
W. A. Palmer Films, Inc.  
San Francisco, Calif.

## Truth is veiled

Re: "Dilemma of the Acceptable Lie" in the May "Executive Trends."

When a secret must be kept, words that veil the truth and occasion the deception of the listener should be employed; providing there is sufficient good reason and the information-seeker has no right to the information being sought.

And, regarding those wives who are reluctant to move to new locations, tell them to read the Book of Ruth. All women enjoy good love stories.

RAPHAEL L. McDONALD, O.F.M.  
Shrine of the Immaculate Conception  
Atlanta, Ga.





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# WHY MEN TAKE RISKS

Those who start their own businesses are a breed apart from today's organization men, researchers find. Here is a penetrating look at qualities an entrepreneur needs

THIS ARTICLE is adapted from a chapter in a new book, "The Enterprising Man," published by the Bureau of Business and Economic Research, Graduate School of Business Administration, Michigan State University.

The original chapter—entitled "The School for Entrepreneurs"—tells of the tortuous and at times coldly opportunistic route to success which is followed by some men who start their own businesses.

Financed by a Small Business Administration management research grant, M. S. U. social scientists conducted extensive interviews with 110 men who founded light manufacturing companies in Michigan in the period from 1945 to 1958.

The entrepreneur, the researchers found, is apt to have personality traits that make it virtually impossible for him to function where he is not the boss. He is characteristically restless, driven, given to making and breaking alliances as they serve his purpose; his childhood often was unhappy, and—in distinct contrast to the executive who rises through the ranks of an already going concern—he has marked difficulty handling relationships with authority.

In short, the entrepreneur is the antithesis of the organization man.

But all is not negative in the researchers' portrait of the risk-taking businessman who fights to start an enterprise and keep it alive. "We have come to admire and respect them as significant leaders in our business society," writes Dr. David G. Moore, project director for the study group. The difficult upward path of entrepreneurs develops, in those who follow it, qualities which make them successful employers and innovators.

Names used in the article, as in the book, are not those of real persons or real companies. But comments quoted and situations and people described are from real life.

ONE OF THE MOST prevailing myths in contemporary life is that education to be valuable must be formal. In current thinking, this leads to the conclusion that anyone can go into business for himself and make a go of it in a big way. Study demonstrates that this is not the case.

Entrepreneurship, like any art, requires for optimum success a long and rigorous period of training. This comes between the time the individual leaves family life and whatever formal schooling he might have received—often it was little—and the time he establishes himself in his own business.

It is this period that is the true School for Entrepreneurs.

The curriculum is rough, and those who successfully graduate are men of unusual courage and ability. Credits are counted by lost jobs, broken partnerships, exploited sponsors and time in the bankrupt courts. As in all schools, men are not required to take work in all subjects. Candidates may specialize in bankruptcy or in insecure employment. Their major work may be in the exploitation of sponsors or partners, or it may be in the accumulation of broad work experience.

There are exceptions, but in the vast majority of cases men who become successful entrepreneurs spend considerable time in this "school." Many take longer than 20



## WHY TAKE RISKS

*continued*

years to graduate. This is expensive education, both for the man and for society. For the man the price is fatigue, mounting guilt and moral conflict. For society the price is the high rate of business failures and long years during which some of its most productive people are not performing effectively.

For a society that wants to continue its tradition of small business, there is at present no alternative to the present system of training. Colleges of business offer no work really applicable to the sort of training entrepreneurs need. The entire system of business and finance is organized, not to support, but to punish the efforts of these men.

A successful candidate in the school of entrepreneurship has, above all, learned the art of risk-taking. Society's educational paraphernalia are set up both to teach men not to take risks and to identify and stigmatize men willing to take them. Consequently, a successful course in entrepreneurship involves thorough grounding in the finding of support outside legitimate channels or in convincing legitimate financial agencies that theirs is an enterprise in which risk is not present.

Consider the coursework taken by entrepreneurs. The school offers a wide variety of courses, and there are many ways in which they can be combined into majors.

### **Entrepreneurship 101: Drifting**

This course is offered primarily for orphans and sons of marginal or low-skilled workers. It is a continuation of experiences of insecurity and deprivation learned during family years. The course is intended to reinforce distrust of superiors and the belief that working for other people is a situation of basic insecurity.

Candidates may enter as early as the age of 10 or as late as 50. This course was especially popular during the depression, but has continued to have large enrollment through the good times of the past two decades.

Most successful performance has been achieved by men with distrust of adult figures, dislike for routine, and a low level of formal training. Successful completion of the course qualifies the candidate for work in exploiting sponsors, getting rid of partners, and general bankruptcy.

A man who is now president of a large tool manufacturing enterprise describes his work in the course:

"In 1925, I started working for 25 cents an hour. This company made measuring and scientific equipment, and I worked there for a few months. From there in the same year, 1925, I moved to another company that made piston rings and valves. I worked there for some time, and then in 1926 I got a job with Dodge. For about a year or so I worked for them. From there I moved to Regis Punch Press, and worked there for several months between 1926 and 1927. In 1927, I started experiencing difficulties with my job and decided to go home and work on a farm. This time I could not get work in Michigan. I finally found some farm work in Kansas—this was during the summer of 1927. In 1928 I was laid off again, but within a short time I was able to get another job. I worked for about three months and I was again laid off. This was an extremely disappointing and frustrating experience."

---

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It is clear that the successful student of Drifting is a person driven by a diffuse restlessness. For him, the grass is always greener just a little further on. He wants something, but is not sure what. He develops the reputation of an unsatisfactory worker. He displays strong indications he will never be able to stick to any line of work.

### **102: Basic dealing**

This may be taken either as an alternative to, or in conjunction with Drifting. The course of study may

be extremely short, lasting only a few days, or for some candidates it may last 20 years. Successful completion of the coursework is indicated by jelling of a deal. The deal may be very large or very small. It need not lead to establishing a business, but equally often leads to the candidate being dealt out of the profits, or to an abortive organizational attempt ending in bankruptcy.

The purpose of the course is to teach the student the basic technique of entrepreneurship: bringing together ideas, people and money in an arrangement profitable to the student.

The student taking the course learns from a set of rigorous experiences, which may include the following: 1, being looked upon by friends and relatives as a hopeless big talker who allows his wife and children to go hungry while he is out chasing rainbows; 2, being rejected by reputable sources of financing and forced to deal with shady individuals and finance houses; 3, being eliminated from the transaction if associates find this profitable and can accomplish it; 4, being aware, after having finessed a deal, that instead of coming out of it with a profit one may come out far in the hole and tied for years to an unprofitable line of enterprise; 5, being adept at leaving creditors and other associates holding the bag, while the student slips out of any unprofitable line of enterprise; 6, being accused of double-dealing by associates you have either dealt out or left holding the bag.


It is evident that Basic Dealing is not a course for the faint-hearted. It separates the men from the boys. There is no telling how many broken businesses and broken homes are left behind by students who enroll in the course but do not have the qualities required to complete it.

If any one course can be called the core course in the School for Entrepreneurs, it is Basic Dealing. It develops theory and practice for one problem almost all true entrepreneurs must face at least once in their lives. This is the problem of bringing a variety of resources together into a combination that makes possible establishing an ongoing enterprise. Some entrepreneurs stay in this course for as long as 20 years before mastering the fundamentals. These are by no means the least successful of the entrepreneurs. Entrepreneurship, like football, requires a good grasp of the fundamentals.

Some entrepreneurs never take Basic Dealing until they are en-






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## WHY TAKE RISKS

*continued*

gaged in setting up the one business they are to own or control. This is a risky approach, and may lead to unnecessary giving away of advantages.

### 103: Protegeship A

*(Riding on Fast Roller Coasters)*

Lab work in Protegeship is divided into two sections, each designed to meet special aptitudes and psychological needs of differing students. Protegeship A is for students of unusual charm and ability who have a yearning to soar to commanding heights and are willing to risk being subsequently hurled to desolate depths.

Protegeship B (subtitled Biting the Hand) is for students with especially strong aggressions toward older men and a willingness to be guided by the rule, "There is no place for friendship in business." Protegeship is often taken in place of Drifting, but is not a completely satisfactory substitute for Basic Dealing. Many times we find men who have completed Protegeship and have then taken Basic Dealing. It is excellent preparation for Basic Dealing, since students in Protegeship both observe and aid their sponsors in consummating complicated deals.

A person who is to succeed at Protegeship must first get the attention of a sponsor. Fred Phillips at the age of 22 might well have written the text on this technique. Here is a resumé of the Phillips approach:

While in the stockroom, he came to the attention of the owners when one of the automobile companies did not receive delivery on an order. This company was a major customer. Seeing that the order was filled began with Phillips in the stockroom. The manager chewed Phillips out in front of the company president. Phillips was, however, a man who could take care of himself. He countered by pointing out that material with which to fill the order had never been received inside the plant, and that, anyway, it was really the manager's responsibility to see that orders got filled.

In choosing Phillips as the fall guy, the plant manager had made a bad tactical error. Phillips had been quietly organizing facts and figures. With the manager, probably mouth agape, standing there, Phillips pulled out these figures and showed top management that the system of operating the plant was

entirely wrong. The 22-year-old then instructed the president and owner on how the plant should be run. They agreed. "From that point on," Phillips somewhat complacently comments, "my rise was assured."

Shortly after, Phillips was offered the job of plant manager. He remarks that he "was young for the job, and I knew I was going to have trouble with the foremen." He accepted on condition that the plant be placed off limits to the former plant manager. In addition to running the plant, Phillips became the right-hand man to the president. As he recollects it, at one time he had almost virtual control of the company. When the company expanded, buying another plant, he was placed in charge of both. Phillips says the president was losing interest in the business, and "I acted more and more as the proprietor, making all the decisions." It is clear he was meticulously cultivating the role of son.

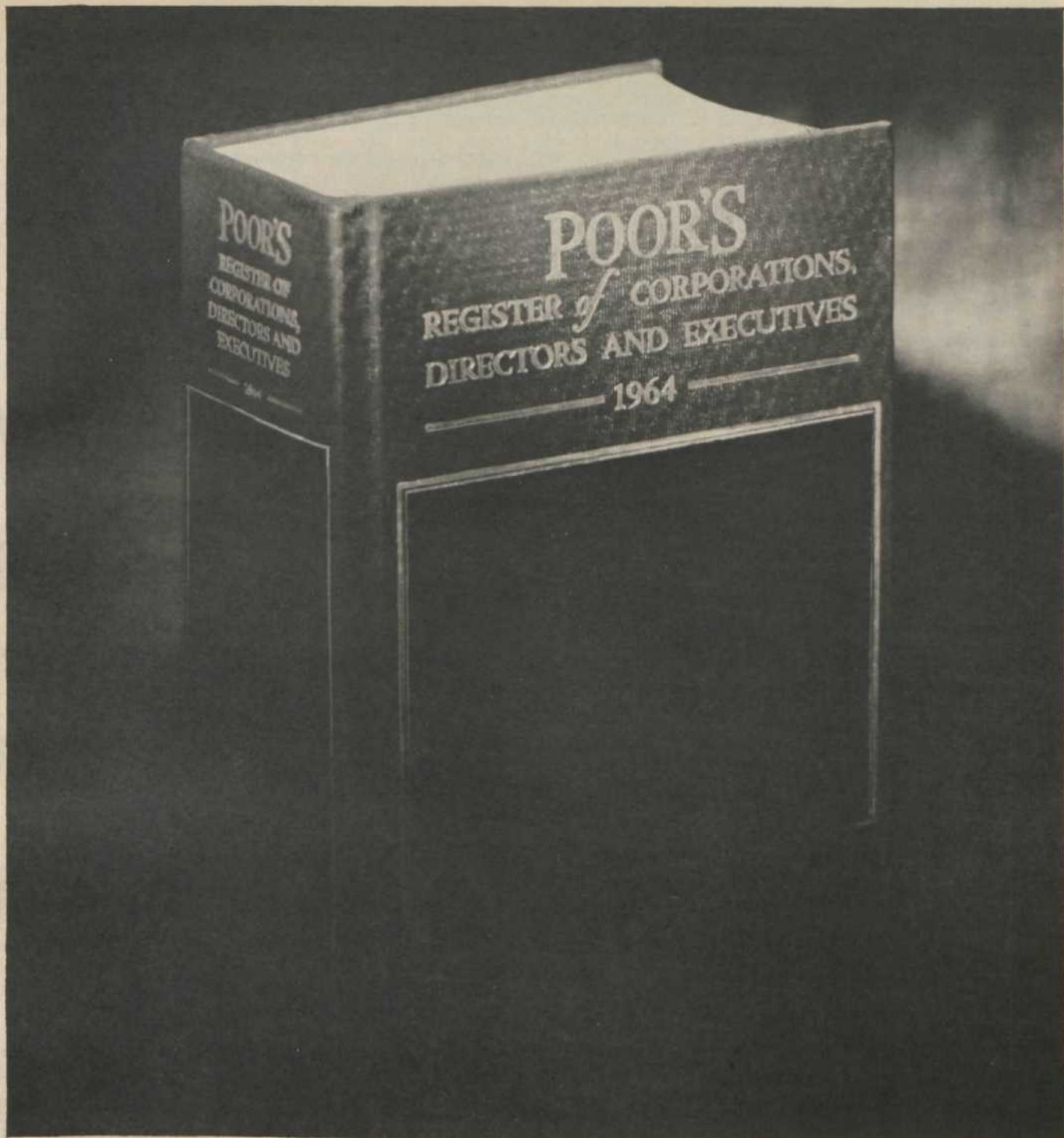
Suddenly he was out of the firm, broke, and with no prospects. The president's other son—the one by biological descent—came home. He was made vice president and, in Phillips' words, "placed over me. He knew nothing about the business. He came to work about 10 and left at two or three. To make matters worse he boasted he was making three or four times what I was." Phillips found the situation intolerable, believing he was being completely subordinated to the son. "I was an errand boy." Without even taking time to look for another job, he walked away. Having once been burned, however, he left with a clear knowledge of what he was going to do next. "I didn't know how, but I was going into business for myself."

Not all work in Protegeship A ends with a downward plunge in the fast roller coaster ride.

But successful completion of work in this course is indicated—and there are few exceptions—by terminating the protege-sponsor relationship. This is crucial for the future development of the entrepreneur. Men who do not, or cannot, sever these relationships may continue to advance in an organization. They may, eventually, assume the mantle of the sponsor and take over the sponsor's work, building it beyond what was accomplished during the stewardship of the sponsor. But they will never themselves become entrepreneurs in the true sense. The man who wishes to become an entrepreneur has got to break his ties with a sponsor.

In retrospect, entrepreneurs have





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## WHY TAKE RISKS

*continued*

many reasons for having broken their bonds. The sponsor let them down or double-crossed them. The sponsor got into trouble and could not sustain the relationship. The sponsor turned out to be technically unqualified. Promotion was blocked. The protege had learned all he could. It really doesn't matter. The crucial need is that the breaking away takes place. Unless it does take place, the entrepreneur can never achieve the autonomy necessary to creating a business uniquely and solely his own.

Many men dream of having a business of their own. It is only the man with the peculiar character of the entrepreneur who can make this a reality. It is precisely his fear of superiors, his distrust of equals and his tendency to end intolerable situations rather than stay and solve them, which causes the entrepreneur sooner or later to dissolve the protege-sponsor arrangement. These characteristics also cause him eventually to go into business for himself.

### 103: *Protegeship B*

*(Biting the Hand That Feeds)*

This lab section is for another large group of students who have definite characteristics in common. These are men who were extremely aggressive in dealing with bosses, equals or subordinates. Matching their work with their childhood histories, it is clear that they epitomize the person who learned at an extremely early age a basic outlook of disgust and distrust. One of them summarized this when he voiced the fundamental rule, "There is no place in business for friendship."

Let's begin the discussion of coursework in *Protegeship B* by reviewing the story of a man named Hertzler, who views life as if it were a highly competitive conflict with no rules and no quarter given.

Mr. Hertzler started working full time at the age of 14. The first story he tells illustrates his fundamental approach. He describes a conflict centered around a grinder: This \$45,000 machine was down for repairs every three or four days, so crews came from Toledo to repair it. The machine operator was given a vacation for two or three weeks and in his absence Hertzler became an assistant to the repair people in tearing down and rebuilding the

machine. During the process he learned how to operate it. He then took it over and worked on it until the regular operator came back. "During the time I worked on it, it never stopped once and nothing was returned by the inspector."

The morning the operator came back, he began moving Hertzler's equipment away from the machine. This led to a fight. The foreman settled it by saying that Hertzler was to take over for as long as he wanted to. "I worked on that machine until I had proved to everybody that anyone could work on that job."

He then quit. Score one for Hertzler.

Hertzler next got a job with the Blaze Co. The foreman who had sponsored him in his previous job had already gone here. Hertzler set about proving to management how much could be done. For example, he showed them "I could turn out a shaft in a minute and 20 seconds, which had taken other workers three quarters of an hour to do. He became foreman, displacing the foreman who had taught him. Score two for Hertzler.

Soon he quit and he went to another company. Immediately he repeated his tactic. This time, however, he managed to make his point in the hearing of a vice president. Hertzler tells us that the foreman was "somewhat flabbergasted," as well he might have been. He lost his job. Another score for Hertzler.

He was then taken under the wing of the vice president, who put him in charge of the tool room. After that, it was easy to catch the eye of the president.

One day the president sent him on a spying mission to another firm. He got a job there and stayed for several weeks. At the end of the three weeks, he reported back to the president:

"Well, I got fired."

The president said, "What did you think about the place? Do you think we ought to buy it?"

I said, "Yeah."

The president said, "Do you think that if you took it over you could make a go of it?"

I said, "Yeah."

The president said, "Okay, come with me." We got into the car, went down to the other plant, and the president said, "Now you tell me who fired you." I pointed the superintendent out.

The president went over to him and said, "We're buying this plant, and Norman here is going to take over, and he doesn't need you any-





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the courage of *your own convictions*. Make sure you are intelligently informed. Make sure you understand the issues involved. Make sure you understand *all sides* of the issues. Make sure you understand that it is, not merely personalities that are clashing in this election, but basic principles. Be sure to take the long-range view of things.

What happens when you stand there alone in the voting booth and cast your vote will affect the future of America for a long time to come.

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## WHY TAKE RISKS

continued

more, so go pick up your pay."

In his own mind, he rapidly became the indispensable man. However, friction was beginning to develop between Hertzler and the president. Things were not going well between the president and vice president. Hertzler sided with the vice president. He and the vice president pulled out together, taking with them the prime customers and a good deal of confidential information. They set up a partnership, with Hertzler owning 19 per cent of the stock of the new company. They quickly drove the parent firm out of business.

Hertzler and his partner did not hit it off too well. The break came when Hertzler took a two-month vacation. After he had been gone three weeks, his partner called him up and told Hertzler that it was time to get back to work. Hertzler told him:

"The hell with you. I'm not coming back, I'm taking my vacation."

"My partner said, 'Well you come back or you're out.'"

"I said, 'All right, I'm out.' I hung up the phone."

He was now out of both companies, but his remembrance is that neither company could exist without him. They both went through bankruptcy. Hertzler, in the meantime, began setting up a corporate venture of his own.

It is not entirely precise to say that Hertzler did not know how to play the role of protege. He knew, in fact, how to play this role as he defined it extremely well. His definition, however, was one of using the association with a man above him as a stepping-stone. It is a mistake, further, to think of Hertzler as disloyal, self-seeking, or untrustworthy. In this case, we have a man to whom such words do not exist. He is color-blind to it as other people are color-blind to red and green. As he told the interviewer at least a dozen times, "It's dog eat dog."

The great bureaucratic organizations of government and business are full of men who have followed a sponsor long and loyally, working hard for him, putting the sponsor's interest before their own. When these men retire or die, the protege may be called upon to assume the mantle, undertaking the obligations and privileges that go with leadership and control. Such men contribute and receive a great deal. They do not become entrepreneurs. **END**



## "SMALL" BUSINESSES: VITAL PART OF WESTERN ELECTRIC'S BIG BUYING JOB

In 1963, Western Electric went shopping at some 40,000 American businesses and spent \$1.2 billion. More than 90% of these firms are "small", as classified by the Department of Commerce.

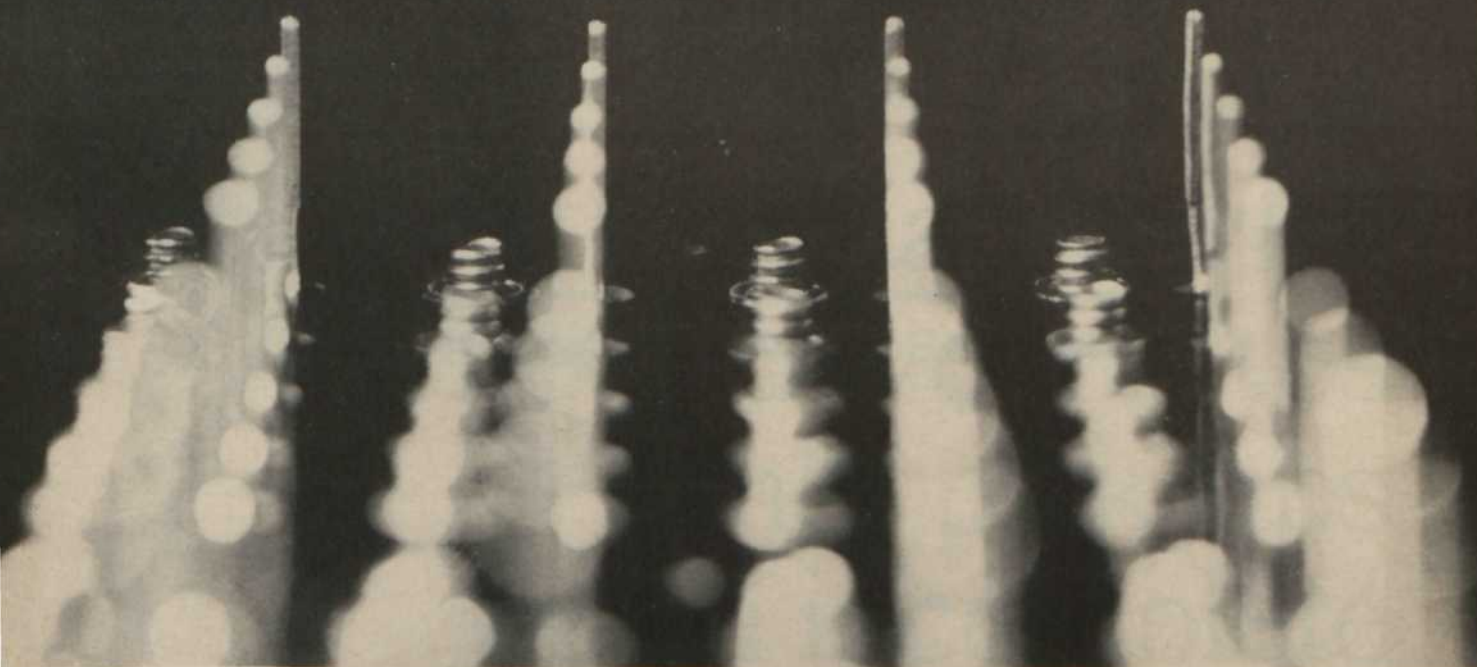
These companies are continually proving their importance in helping us to meet the Bell Telephone System's need for quality materials

and services at a reasonable cost.

Typical is Levolor Lorentzen, Inc., a Western Electric supplier for 30 years. For the past 8, they have been making metal terminals, used by the millions in Western Electric switching equipment. Through constant vigilance in controlling the cost of materials and processes, Levolor Lorentzen has reduced its

unit price by 37 per cent.

Western Electric's needs range from activated carbon to rectifiers. If your company has products and skills that might be useful to us, write for our booklet, "Glad to See You!" Room 16U, 195 Broadway, N.Y., N.Y. 10007. Or talk to a buyer at one of Western Electric's plants. **WESTERN ELECTRIC**





# IT'S YOUR CHOICE

This year's presidential race may distract many voters from thinking ahead about the other important choices they must make next month.

The American people will also elect 35 United States senators, all 435 members of the House of Representatives, half our state governors and more than 15,000 other state and local officials.

In many ways, they can affect your future as much as the man who is elected President.

The intelligent voter will want the answer to one vital question about each of these grass-roots candidates:

*Does he believe in the principle that local problems can best be solved at the local level, or does he think they can be solved only with schemes and money from Washington?*

Then the voter can make his choice.

---

Nation's Business • October 1964



The 'Jeep' Gladiator with 4-wheel drive  
has twice the traction of ordinary pick-up trucks.



*Don't worry about climbing up, you've got "tank" power in reserve.*

When you roll up your sleeves and tackle the tough jobs this is the pick-up truck to have on your side. It's the new 'Jeep' Gladiator with 4-wheel drive.

The 'Jeep' Gladiator goes where no 2-wheel drive truck should. Through rubble. Mud. Snow. Sand. It has twice the traction of ordinary pick-up trucks when you

need it. There's nothing like 'Jeep' 4-wheel drive for getting you in and out of those so-called inaccessible places. Or over impassable roads.

Your 'Jeep' Gladiator is a real investment too. It trades high because it is built to last. And comfort? It has a real soft side to its nature. You'll find it has

passenger car comfort and a full list of convenient power options. 'Jeep' Gladiators come in two series: 120 and 126 in. wheelbases—GVW's from 5,000 to 8,600 lbs. Drive one of the "Unstoppables" at your 'Jeep' dealer. Go where no 2-wheel truck should.

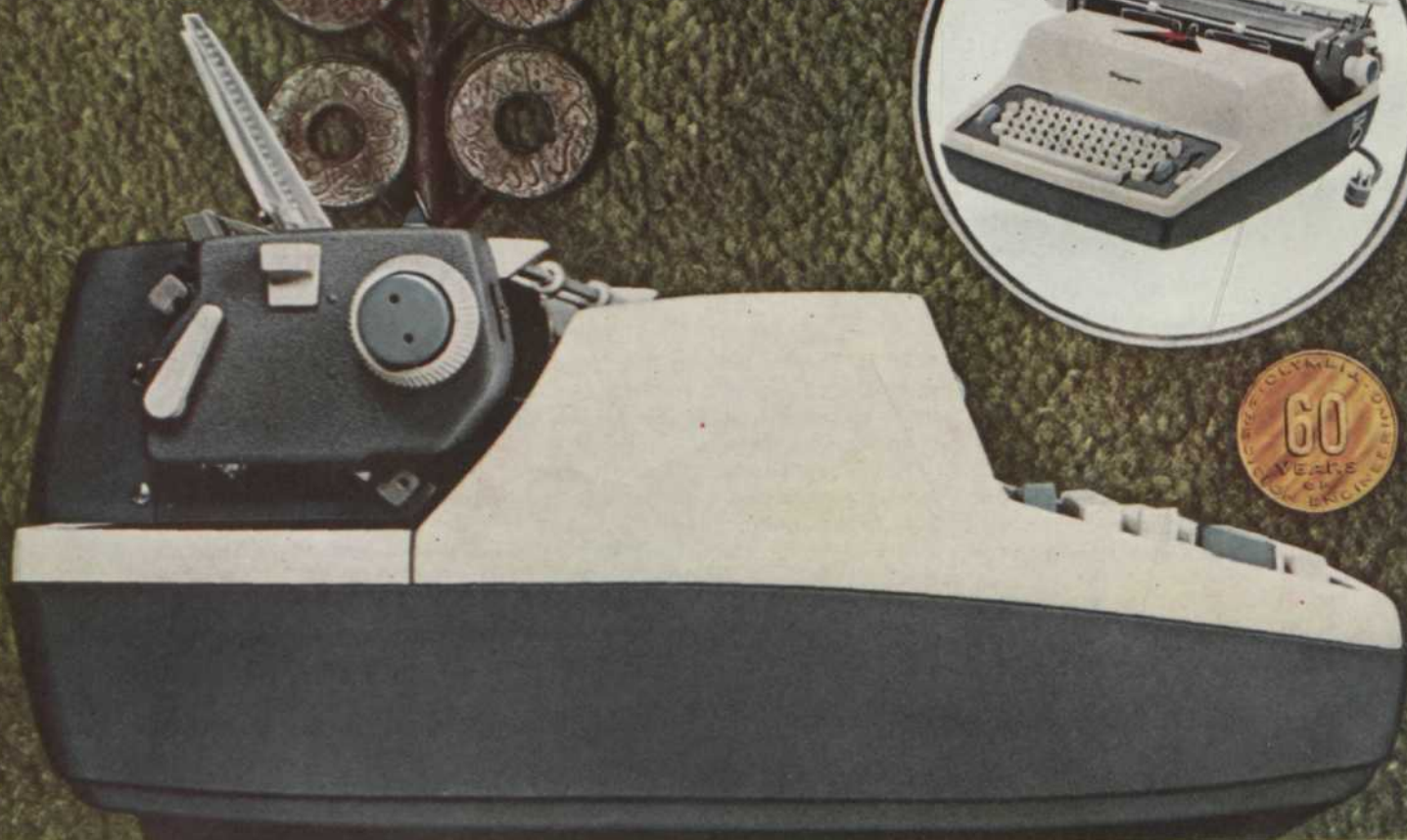
**KAISER Jeep CORPORATION** TOLEDO 1, OHIO **50 YEARS**

# New 'Jeep' Gladiator with 4-wheel drive makes other pick-ups seem incomplete

See 'Jeep' vehicles in action on TV... "CBS Evening News With Walter Cronkite."



# WHO MAKES THE BIG DECISION?



Consider the importance of the typewriter... still the most basic and essential communications tool in any office! Its performance can mean the difference between an efficient flow of correspondence—or—exasperating delays. That's why we ask you to carefully consider the new and distinguished OLYMPIA SGE-40 ELECTRIC. You'll discover that efficiency has been engineered-in... exasperation engineered-out. Precision-built, of the finest quality materials, for maximum reliability, the OLYMPIA SGE-40 has been superbly designed to increase speed and accuracy... save time and energy. And, results are as impressive as the SGE-40 looks. Comes fully

equipped with the most advanced and worthwhile typing aids, from interchangeable carriages to an automatic paper injector/ejector. So whether you or your associates make the "big decision", be sure to use your influence to arrange for a demonstration... so that all concerned can see, test and compare the new OLYMPIA SGE-40 ELECTRIC before you decide on any other typewriter. We're confident you'll find it a worthwhile experience. You'll find your authorized Olympia Dealer listed in the Yellow Pages.

**Olympia**

SGE-40 ELECTRIC